



Bela Bela Local Municipality
Annual Financial Statements
for the year ended 30 June 2016
(LIM 366)

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Local Municipality, governed by the MFMA (No 56 of 2003)
Nature of business and principal activities	Local Municipality
Council	
Mayor	Hon. M.L Nhlapo
Executive Councillors	Cllr S.E Maluleka (Speaker) Cllr R.M Radebe (Chief Whip) Cllr J.F Van der Merwe Cllr M.J Ngobeni
Councillors	Cllr M.D Senosha Cllr F.S Hlungwane Cllr G.T Malete Cllr M.N Ras Cllr K.B Alberts Cllr M.H Ledwaba Cllr M.J Sesane Cllr L.R Mpete Cllr P.M Aphane Cllr P.M Mahlangu Cllr T.E Mokonyane Cllr W.K.R Mokgethoa
Grading of local authority	Level 3
Chief Finance Officer (CFO)	Mr. S. Kgatla
Accounting Officer	Mr. M.M Maluleka
Registered office	58 Chris Hani Drive Bela Bela
Postal address	Bela Bela Local Municipality Private Bag X1609 Bela Bela 0480
Bankers	Absa Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Moloto Attorneys Mohale Incorporated Attorneys
Published	31 August 2016

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

Index	Page
Accounting Officer's Responsibilities and Approval	3
Accounting Officer's Report	4 - 6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 12
Appropriation Statement	13 - 14
Accounting Policies	15 - 43
Notes to the Annual Financial Statements	44 - 87
Appendixes:	
Appendix A: Schedule of External loans	88
Appendix B: Analysis of Property, Plant and Equipment	89
Appendix C: Segmental analysis of Property, Plant and Equipment	95
Appendix D: Segmental Statement of Financial Performance	96
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	97
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	98
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	100

Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
FMG	Financial Management Grant
EPWP	Extended Public Works Programme

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 87, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring that the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the accounting officer endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is substantially dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The accounting officer certify that the salaries, allowances and benefits of councillors, loans made to councillors, if any, and payments made to councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 4 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016.

Mr. M.M Maluleka
Accounting Officer

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

Net deficit of the municipality was R 39 474 647 (2015: deficit R 40 913 763).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

Bela-Bela Municipal Council was elected and inaugurated in 2011 and has been in charge of Council governance since then up until 2016 Local Government Elections. During 2015/16 financial year the following Councilors were part of the Bela-Bela Local Municipal Council.

No.	Councilor	Position
1.	L. Nhlapo	Mayor
2.	S. Maluleka	Speaker
3.	M. Radebe	Chief Whip
4.	JM Ngobeni	EXCO – Full time
5.	K. van der Merwe	EXCO – Part time
6.	J. Sesane	S.79 Chair
7.	H. Ledwaba	S.79 Chair
8.	M. Mokanyana	S.79 Chair
9.	F. Hlungwane	MPAC Chair
10.	GT. Malete	Ordinary Member
11.	T. Ras	Ordinary Member
12.	D. Senosha	Ordinary Member
13.	K. Alberts	Ordinary Member
14.	L. Mpete	Ordinary Member
15.	P. Aphané	Ordinary Member
16.	W. Mokhethwa	Ordinary Member
17.	P. Mahlangu	Ordinary member

South Africa held its fourth Municipal elections on 03 August 2016. New Councilors have been inaugurated on Thursday 18 August 2016. Bela-Bela Local Municipality Council consist of the following members:

No.	Councilor	Position
1.	JM Ngobeni	Mayor
2.	Z. Moeletsi	Speaker
3.	H. Ledwaba	Chief Whip
4.	S. Maluleka	EXCO – Full time
5.	K. van der Merwe	EXCO – Part time
6.	F. Hlungwane	S.79 Chair
7.	P. Aphané	S.79 Chair
8.	A Maluleka	S.79 Chair
9.	L. Mpete	MPAC Chair
10.	F. Mothakoa	Ordinary Member
11.	T. Ras	Ordinary Member
12.	D. Senosha	Ordinary Member

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

13.	R. Masemola	Ordinary Member
14.	J. Makhubela	Ordinary Member
15.	S Mosweu	Ordinary Member
16.	S. Seale	Ordinary Member
17.	B. Malete	Ordinary member

There will be no financial implications in relation to the change of Council since the Council will continue to be remunerated in accordance with the Determination of upper limits of salaries, allowances and benefits of councillors

4. Submission of annual financial statements

The annual financial statements were submitted 31 August 2016. The municipality complied with the requirements of Section 126 of the Municipal Finance Management Act.

5. Accounting policies

The annual financial statements were prepared in accordance with the Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Standard Board.

6. Corporate governance

The Council

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality.

6.1 Fruitless and wasteful expenditure

During the current financial year, payments to the value of R857 891 were regarded as fruitless and wasteful expenditure. This was due to late payment of invoices to Eskom and Auditor General.

6.2 Remuneration

The remuneration of the accounting officer and section 56 managers are determined by the upper limits for senior managers.

6.3 Audit Committee

Mr. S.A.B Ngobeni was the chairperson of the audit committee for the financial year under review.

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the audit committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors of the municipality onto the audit committee.

6.4 Internal audit

The municipality has an independent internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

The chief internal auditor is Mr.M.C Kabe.

7. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

8. Auditors

The municipality is audited by the Auditor General of South Africa

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

9. Public Private Partnership

During the financial period under review, Bela Bela Local Municipality did not enter into any Public Private Partnerships.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	10	145 329	134 461
Receivables	11	1 386 931	3 427 572
Receivables from non-exchange transactions	12	3 200 366	3 826 395
VAT	13	6 121 836	5 631 042
Consumer debtors from non-exchange transactions	14	4 774 913	14 198 712
Consumer debtors from exchange transactions	14	11 016 443	12 078 416
Sundry debtors	8	7 847 144	3 493 291
Agreements	9	651 192	889 344
Cash and cash equivalents	15	31 381 571	12 656 366
		66 525 725	56 335 599
Non-Current Assets			
Investment property	3	343 300 758	344 816 649
Property, plant and equipment	4	590 699 667	533 198 639
Intangible assets	5	2 016 926	2 063 602
Heritage assets	6	538 950	538 950
Agreements	9	326 971	1 204 661
		936 883 272	881 822 501
Total Assets		1 003 408 997	938 158 100
Liabilities			
Current Liabilities			
Other financial liabilities	18	-	3 278 875
Finance lease obligation	16	10 003 106	4 735 602
Payables from exchange transactions	21	103 226 357	71 836 359
Consumer deposits	22	5 350 810	5 473 413
Unspent conditional grants and receipts	17	34 434 029	-
Provisions	19	5 122 692	4 721 807
Unknown deposits	20	9 906 250	7 584 628
		168 043 244	97 630 684
Non-Current Liabilities			
Finance lease obligation	16	18 530 105	1 754 489
Employee benefit obligation	7	37 447 894	26 763 894
Provisions	19	25 796 438	18 943 072
		81 774 437	47 461 455
Total Liabilities		249 817 681	145 092 139
Net Assets		753 591 316	793 065 961
Accumulated surplus		753 591 316	793 065 961

* See Note 45

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	141 587 947	114 337 480
Rental of facilities and equipment		1 039 305	1 113 795
Licences and permits		3 201 147	2 741 698
Administration and management fees received		316 257	1 139 387
Commissions received		63 061	72 982
Demand charges		410 926	956 487
Other income	28	1 875 710	3 980 969
Town planning scheme		435 200	440 731
Interest received	34	6 235 144	8 317 352
Total revenue from exchange transactions		155 164 697	133 100 881
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	46 336 732	54 228 731
Donations	27	7 270 367	32 000
Transfer revenue			
Government grants and subsidies	26	104 252 391	84 130 870
Fines	29	3 028 800	4 450 800
Total revenue from non-exchange transactions		160 888 290	142 842 401
Total revenue	23	316 052 987	275 943 282
Expenditure			
Employee related costs	31	(104 690 713)	(89 902 742)
Remuneration of councillors	32	(6 359 719)	(5 968 924)
Depreciation and amortisation	36	(31 051 878)	(27 727 459)
Impairment loss/ Reversal of impairments	4	(66 513)	(2 310)
Finance costs	38	(6 495 816)	(6 956 553)
Debt impairment	33	(29 176 475)	(30 309 529)
Repairs and maintenance		(12 114 704)	(14 445 200)
Bulk purchases	40	(78 848 077)	(72 297 651)
General expenses	30	(91 551 556)	(82 212 082)
Total expenditure		(360 355 451)	(329 822 450)
Operating deficit		(44 302 464)	(53 879 168)
Loss on disposal of assets		(1 968 058)	(997 844)
Fair value adjustments	35	13 203 875	1 959 918
Actuarial gain / (loss)	37	(6 408 000)	12 003 331
		4 827 817	12 965 405
Deficit for the year		(39 474 647)	(40 913 763)

* See Note 45

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014	672 987 367	672 987 367
Changes in net assets		
Deficit for the year	(40 913 763)	(40 913 763)
Total changes	(40 913 763)	(40 913 763)
Opening balance as previously reported	632 073 821	632 073 821
Adjustments		
Prior year adjustments - note 43	160 992 140	160 992 140
Balance at 01 July 2015 as restated*	793 065 961	793 065 961
Changes in net assets		
Deficit for the year	(39 474 647)	(39 474 647)
Total changes	(39 474 647)	(39 474 647)
Balance at 30 June 2016	753 591 314	753 591 314

* See Note 45

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		185 812 614	156 174 955
Appropriation		138 686 420	83 838 188
Interest income		6 235 144	8 317 352
		330 734 178	248 330 495
Payments			
Employee costs		(112 196 530)	(90 898 919)
Suppliers		(99 965 547)	(108 186 779)
		(212 162 077)	(199 085 698)
Net cash flows from operating activities	41	118 572 101	49 244 797
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(125 081 957)	(58 910 825)
Purchase of other intangible assets	5	(25 000)	-
Net cash flows from investing activities		(125 106 957)	(58 910 825)
Cash flows from financing activities			
Loan - proceeds		(3 278 875)	(7 820 217)
Interest		6 495 816	(6 956 553)
Finance lease payments		22 043 120	6 446 599
Net cash flows from financing activities		25 260 061	(8 330 171)
Net increase/(decrease) in cash and cash equivalents		18 725 205	(17 996 199)
Cash and cash equivalents at the beginning of the year		12 656 366	30 652 565
Cash and cash equivalents at the end of the year	15	31 381 571	12 656 366

* See Note 45

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	146 532 337	6 136 000	152 668 337	141 587 947	(11 080 390)	Lower consumption (Water and electricity)
Rental of facilities and equipment	2 089 451	14 107	2 103 558	1 039 305	(1 064 253)	Lage number of vacant units
Licences and permits	10 000 000	2 000 000	12 000 000	3 201 147	(8 798 853)	100% allocation was budgeted intead of 20% comission
Administration and management fees received	2 204 648	(1 968 003)	236 645	316 257	79 612	Increase demand
Commissions received	45 000	-	45 000	63 061	18 061	Increase in the number of third parties
Demand charges	4 000 000	(3 500 000)	500 000	410 926	(89 074)	
Other income	20 307 936	(2 415 317)	17 892 619	1 875 710	(16 016 909)	Delays on VAT refund from VAT review
Town planning scheme	552 591	100 000	652 591	435 200	(217 391)	Reduction in demand
Interest received	14 332 960	(7 553 690)	6 779 270	6 235 144	(544 126)	Inadequate surplus cash flow for investment
Total revenue from exchange transactions	200 064 923	(7 186 903)	192 878 020	155 164 697	(37 713 323)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	59 959 110	(808 000)	59 151 110	46 336 732	(12 814 378)	Objections outcomes corrections
Donations	33 517	(33 517)	-	7 270 367	7 270 367	Unexpected computers donations received
Transfer revenue						
Government grants and subsidies	102 223 200	39 018 000	141 241 200	104 252 391	(36 988 809)	Additional allocation unspent at year end and not recognised as revenue

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Fines	11 638 780	-	11 638 780	3 028 800	(8 609 980)	Poor performance of the service provider who's contract was terminated
Total revenue from non-exchange transactions	173 854 607	38 176 483	212 031 090	160 888 290	(51 142 800)	
Total revenue	373 919 530	30 989 580	404 909 110	316 052 987	(88 856 123)	
Expenditure						
Personnel	(108 702 978)	1 961 563	(106 741 415)	(104 690 713)	2 050 702	
Remuneration of councillors	(6 269 088)	(90 631)	(6 359 719)	(6 359 719)	-	
Depreciation and amortisation	(29 884 589)	(1 167 289)	(31 051 878)	(31 051 878)	-	
Impairment loss/ Reversal of impairments	-	-	-	(66 513)	(66 513)	
Finance costs	(2 097 000)	(4 408 082)	(6 505 082)	(6 495 816)	9 266	Finance cost on finance leases budgeted on operational expenditure
Debt impairment	(27 711 953)	(3 832 711)	(31 544 664)	(29 176 475)	2 368 189	Improvement in payment rate
Repairs and maintenance	(22 113 214)	2 065 962	(20 047 252)	(12 114 704)	7 932 548	Cash flow challenges lowered spending on repairs and maintenance
Bulk purchases	(82 369 045)	(10 500 000)	(92 869 045)	(78 848 077)	14 020 968	Lower than anticipated consumption
General expenses	(87 084 146)	(9 679 898)	(96 764 044)	(91 551 556)	5 212 488	
Total expenditure	(366 232 013)	(25 651 086)	(391 883 099)	(360 355 451)	31 527 648	
Operating surplus / (deficit)	7 687 517	5 338 494	13 026 011	(44 302 464)	(57 328 475)	
Loss on disposal of assets and liabilities	-	-	-	(1 968 058)	(1 968 058)	
Fair value adjustments	-	-	-	13 203 875	13 203 875	
Actuarial gain / (loss)	-	-	-	(6 408 000)	(6 408 000)	
	-	-	-	4 827 817	4 827 817	
Surplus / (Deficit) before taxation	7 687 517	5 338 494	13 026 011	(39 474 647)	(52 500 658)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	7 687 517	5 338 494	13 026 011	(39 474 647)	(52 500 658)	

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	59 959 110	(808 000)	59 151 110	-		59 151 110	46 336 732		(12 814 378)	78 %	77 %
Service charges	146 532 337	6 136 000	152 668 337	-		152 668 337	141 587 947		(11 080 390)	93 %	97 %
Investment revenue	14 332 960	(7 554 000)	6 778 960	-		6 778 960	6 235 144		(543 816)	92 %	44 %
Transfers recognised - operational	67 252 200	-	67 252 200	-		67 252 200	79 205 293		11 953 093	118 %	118 %
Other own revenue	50 871 923	(5 802 420)	45 069 503	-		45 069 503	30 844 648		(14 224 855)	68 %	61 %
Total revenue (excluding capital transfers and contributions)	338 948 530	(8 028 420)	330 920 110	-		330 920 110	304 209 764		(26 710 346)	92 %	90 %
Employee costs	(108 702 978)	1 961 563	(106 741 415)	-	-	(106 741 415)	(104 690 713)	-	2 050 702	98 %	96 %
Remuneration of councillors	(6 269 088)	90 631	(6 178 457)	-	-	(6 178 457)	(6 359 719)	-	(181 262)	103 %	101 %
Debt impairment	(27 711 953)	(3 832 711)	(31 544 664)			(31 544 664)	(29 176 475)	-	2 368 189	92 %	105 %
Depreciation and asset impairment	(29 884 589)	(1 167 289)	(31 051 878)			(31 051 878)	(31 118 391)	-	(66 513)	100 %	104 %
Finance charges	(2 097 000)	(4 408 082)	(6 505 082)	-	-	(6 505 082)	(6 495 816)	-	9 266	100 %	310 %
Materials and bulk purchases	(106 782 259)	(8 434 038)	(115 216 297)	-	-	(115 216 297)	(78 848 077)	-	36 368 220	68 %	74 %
Other expenditure	(84 778 146)	(9 861 160)	(94 639 306)	-	-	(94 639 306)	(112 042 318)	-	(17 403 012)	118 %	132 %
Total expenditure	(366 226 013)	(25 651 086)	(391 877 099)	-	-	(391 877 099)	(368 731 509)	-	23 145 590	94 %	101 %
Surplus/(Deficit)	(27 277 483)	(33 679 506)	(60 956 989)	-		(60 956 989)	(64 521 745)		(3 564 756)	106 %	237 %

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	34 971 000	39 018 000	73 989 000	-		73 989 000	25 047 098		(48 941 902)	34 %	72 %
Surplus (Deficit) after capital transfers and contributions	7 693 517	5 338 494	13 032 011	-		13 032 011	(39 474 647)		(52 506 658)	(303)%	(513)%
Surplus/(Deficit) for the year	7 693 517	5 338 494	13 032 011	-		13 032 011	(39 474 647)		(52 506 658)	(303)%	(513)%

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand. The accounting policies are consistent with the previous period.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a receivable.

The impairment for receivable is calculated on a portfolio basis.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price. The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of property plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimation should be based on the expected pattern in which an asset's future economic benefits or service potential are to be consumed by the municipality.

Post retirement benefits and other long term benefits

The present value of the post retirement obligation and other long-term employee obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement benefits and other long-term benefits are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows. In the event that different rates were used, clear indication of the rate and the reasons are given.

Allowance for debt impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment determination is based on assessment of individual accounts.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or either land or buildings) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods and services, or the sale of an asset in the ordinary course of operations or administrative purposes.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

The cost of self-constructed investment property is the cost at date of completion. Subsequent to initial recognition property plant is carried at cost less accumulated depreciation and any impairment losses.

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The valuations are performed annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the statement of financial performance as part of the surplus and deficit.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property and from property held for sale in the ordinary course of business:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment properties.
- land held for a currently undetermined future use.
- a building owned and leased out under one or more operating leases
- leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- a building that is vacant but is held to be leased out under one or more operating leases.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipal entity; ; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Subsequent to initial recognition property plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	15 - 60 years
Leasehold property	Straight line	5 years
Plant and machinery	Straight line	4 - 5 years
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years
Computer software	Straight line	2 - 5 years
Infrastructure		
• Roads and paving	Straight line	5 - 100 years
• Pedestrian malls	Straight line	20 - 30 years
• Electricity	Straight line	10 - 60 years
• Water	Straight line	10 - 80 years
• Sewerage	Straight line	12 - 80 years
Community		
• Buildings	Straight line	15 - 60 years
• Recreational facilities	Straight line	15 - 50 years
• Taxi ranks	Straight line	10 - 40 years
• Stadiums	Straight line	20 - 40 years
• Libraries	Straight line	15 - 60 years
• Parks and gardens	Straight line	10 - 50 years
• Other assets	Straight line	7 - 20 years
Ancillary fleet equipment and security	Straight line	15 years
Artwork	Straight line	5 years
Other equipment	Straight line	5 years

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Communication equipment	Straight line	10 - 15 years
-------------------------	---------------	---------------

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement. Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located; changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Intangible assets are initially recognised at cost. Subsequent to initial recognition intangible assets are carried at cost less accumulated amortisation and any impairment losses.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at that date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years
Rights to use naturally occurring assets	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is recognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Receivables from exchange transactions
Receivables from non-exchange transactions
Cash and cash equivalent
Agreements

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Payables from exchange transactions
Consumer deposits
Unknown deposits
Financial liabilities
Finance lease obligation

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value,

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its Statement of Financial Position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual payments are recognised as an operating lease asset or liability

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term. Any contingent rents are recognised separately as an expense in the period which they are incurred.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is or presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Other long long-term employee benefits

The municipality provides post-retirement health care benefits to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is an:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- present obligation that arises from past events but is not recognised because:
 - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the Municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Revenue from non-exchange transactions

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners. Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. Revenue from traffic fines is recognised at a full amount on the issue of fines. Fines that are subject to settlement discount are measured using the Municipality's consideration on past history in assessing the likelihood of these discounts being taken up by debtors. Revenue is then measured at the fair value of the consideration received or receivable, net of estimated settlement discounts.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when:

- it is probable that the future economic benefits or service potential will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 44 for detail.

1.19 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2013), and include:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Value Added Tax

The Municipality is registered as category C VAT vendor. The Municipality accounts for VAT on a cash basis as per Section 15 of the VAT Act. VAT receivable or payable is calculated on a monthly bases. VAT receivable is treated as current assets while VAT payable is treated as VAT current liability. Annual Financial Statements are prepared on the accrual basis of accounting.

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.24 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Commitments consist of expenditure committed but not yet incurred. Commitments are categorised as follows::

- Commitments approved and contracted for
- Commitments approved but not yet contracted for

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Agreements

One of the key objectives of debt collection is to encourage debtors to start paying their monthly accounts in full. In addition it is also necessary to ensure that arrear debt is addressed. The current average balances on consumer accounts necessitates that innovative ideas be implemented to encourage consumers to pay off their arrears. At the same time it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.

Recognition

Agreements are recognised when a debtor enter into a payment arrangement with the municipality. The amount to be recognised in the financial statements as an agreement, for either less than 12 months or over 12 months, consists of the amount outstanding as receivables as at the reporting date.

Measurement

Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months. Agreements are measured at amortised cost, using the effective interest rate, less provision for impairment losses ..

1.29 Accumulated surplus

Accumulated surplus is an equity account that the Municipality uses to accumulate surpluses / losses as a result of financial performance. Transfers to accumulated surplus can also be as a result of accounting policies of other equity accounts.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.30 Unknown deposits

Unknown deposits refer to amounts which were paid into municipal accounts without proper reference to be able to allocate amounts received to correct debtor accounts or relevant vote accounts.

Recognition

Once the payment is received, the municipality will try to trace the amount to allocate it to the correct debtors or vote account. After the municipality have exhausted all options, then the municipality will advertise to the public. Should the public not come to claim the amounts, then the municipality will classify the amount as revenue.

Measurement

The amount of unknown deposits is valued at fair value of the amount actually received.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.31 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the accounting policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 21 (as amended 2015): Impairment of Non-cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets;
- the indicators of internal sources of information were amended to include obsolescence as an indication that an asset may be impaired. In line with the amendments made to IPSAS 21 on Impairment of Non-cash-generating Assets (IPSAS 21) in 2011, an amendment has been made to include another indicator of impairment i.e., where an asset's useful life has been reassessed as finite rather than indefinite;
- where the recoverable service amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples of indications of impairment and measurement of impairment losses have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements

The impact of the standard is not material.

GRAP 26 (as amended 2015): Impairment of Cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets and cash generating unit;
- in line with the amendments made to IPSAS 26 on Impairment of Cash-generating Assets (IPSAS 26) in 2010, an amendment has been made to include another indicator of impairment in relation to the internal sources of information;
- where the recoverable amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples on using present value techniques to measure value in use and illustrative guidance have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015. The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

Improvements to the Standards of GRAP (2013)

Amendments were made to the following standards of GRAP:

- GRAP 1 - Presentation of Financial Statements;

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

- GRAP 2 - Cash Flow Statements;
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors;
- GRAP 7 - Investments in Associates;
- GRAP 10 - Financial Reporting in Hyperinflationary Economies;
- GRAP 11 - Construction Contracts;
- GRAP 13 - Leases;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;
- GRAP 21 - Impairment of Non-cash-generating Assets (refer to separate note);
- GRAP 24 - Presentation of Budget Information in Financial Statements;
- GRAP 25 - Employee Benefits;
- GRAP 26 - Impairment of Cash-generating Assets (refer to separate note);
- GRAP 31 - Intangible Assets;
- GRAP 103 - Heritage Assets; and
- GRAP 104 - Financial Instruments.

The amendments relate mainly to editorial and other changes to the original text to ensure consistency with other Standards of GRAP and deletion of the appendices with illustrative guidance and examples from the standards, as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the improvements is for years beginning on or after 01 April 2015. The municipality has adopted the improvements for the first time in the 2016 annual financial statements.

The impact of the improvements is not material.

GRAP 23 (as amended 2015): Revenue from Non-exchange Transactions

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- the scope paragraph has been amended to exclude non-exchange revenue from construction contracts from this Standard
- commentary has been added to clarify that discounts, volume rebates or other reductions in the quoted price of assets are exchange transactions that should be treated in accordance with the Standard of GRAP on Revenue from Exchange Transactions;
- the Standard was amended to make it mandatory for entities to recognise services in-kind to the extent that the services in-kind are significant to an entity's operations and/or service delivery objectives and to the extent that the recognition criteria have been met;
- commentary has been added to clarify that services in-kind are not limited to the provision of services by individuals but also include the right to use assets. Examples have been added to illustrate this amendment; and
- the appendix with illustrative examples has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Notes to the Annual Financial Statements

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Accounting Standard Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more presentation and disclosure than is currently provided in the annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting municipality's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the municipality. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

Public Private Partnership agreements that are governed and regulated in terms of the MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions.

Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts. Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables, because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time.

The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2015): Investment Property

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

3. Investment property

		2016		2015	
	Cost / Valuation	Carrying value		Cost / Valuation	Carrying value
Investment property	318 017 109	25 283 649	343 300 759	344 816 649	- 344 816 649

Reconciliation of investment property - 2016

	Opening balance	Derecognition	Fair value adjustments	Total
Investment property	344 816 649	(14 719 767)	13 203 876	343 300 758

Reconciliation of investment property - 2015

	Opening balance	Correction of error	Correction of error	Fair value adjustment	Total
Investment property	174 992 702	167 864 029	167 864 029	1 959 918	344 816 649

Pledged as security

The Municipality does not have any assets pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	72 227 961	(38 895 875)	33 332 086	72 227 961	(36 857 780)	35 370 181
Plant and machinery	1 338 239	(593 629)	744 610	863 971	(670 672)	193 299
Furniture and fixtures	3 811 151	(2 935 577)	875 574	3 761 862	(2 799 722)	962 140
Motor vehicles	25 245 313	(3 291 196)	21 954 117	-	-	-
Office equipment	13 511 631	(9 208 581)	4 303 050	13 312 784	(5 384 704)	7 928 080
Infrastructure	960 752 182	(525 319 148)	435 433 034	923 864 176	(511 050 733)	412 813 443
Community	76 249 588	(36 797 823)	39 451 765	63 655 579	(34 980 963)	28 674 616
Other property, plant and equipment	49 786 887	-	49 786 887	42 185 904	-	42 185 904
Emergency equipment	81 046	(65 388)	15 658	92 844	(68 094)	24 750
Recreational facilities	11 083 134	(6 280 248)	4 802 886	11 083 134	(6 036 908)	5 046 226
Total	1 214 087 132	(623 387 465)	590 699 667	1 131 048 215	(597 849 576)	533 198 639

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Derecognition (cost)	Impairment s	Transfers to additions	Provision adjustment	Depreciation	Derecognition (acc depr)	Total
Buildings	35 370 181	-	-	-	-	-	(2 038 095)	-	33 332 086
Plant and machinery	193 299	801 670	(327 402)	-	-	-	(202 008)	279 051	744 610
Furniture and fixtures	962 140	304 634	(255 345)	-	-	-	(376 399)	240 544	875 574
Motor vehicles	-	25 245 313	-	-	-	-	(3 291 196)	-	21 954 117
Office equipment	7 928 080	571 598	(372 750)	-	-	-	(4 157 524)	333 646	4 303 050
Infrastructure	412 813 443	43 126 040	(6 238 036)	(66 512)	-	-	(18 637 635)	4 435 734	435 433 034
Community	28 674 616	7 220 915	(271 555)	-	-	5 644 629	(2 024 893)	208 053	39 451 765
Other property, plant and equipment	42 185 904	50 727 023	-	-	(43 126 040)	-	-	-	49 786 887
Emergency equipment	24 750	-	(11 798)	-	-	-	(9 092)	11 798	15 658
Recreational facilities	5 046 226	-	-	-	-	-	(243 340)	-	4 802 886
	533 198 639	127 997 193	(7 476 886)	(66 512)	(43 126 040)	5 644 629	(30 980 182)	5 508 826	590 699 667

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Derecognit ion	Impairment loss	Derecogniti on impairm ent	Transfers	Correction of error	Depreciation	Derecognition (acc depr)	Total
Buildings	37 105 679	464 900	-	-	-	-	(166 166)	(2 034 232)	-	35 370 181
Plant and machinery	340 707	55 745	(267 176)	-	-	-	263	(143 707)	207 467	193 299
Furniture and fixtures	877 789	536 353	(308 419)	-	-	-	9 433	(425 482)	272 466	962 140
Motor vehicles	1 936 430	-	(9 595 000)	-	-	-	-	(139 742)	7 798 312	-
Office equipment	989 290	11 588 609	(2 264 894)	-	-	-	20 708	(4 350 932)	1 945 299	7 928 080
Infrastructure	422 368 504	6 901 536	(1 406 102)	(2 310)	126 618	-	1 919 111	(18 003 648)	909 734	412 813 443
Community	30 737 714	3 019 989	(711 203)	-	-	-	(3 236 853)	(1 646 024)	510 993	28 674 616
Other property, plant and equipment	11 169 667	39 234 042	-	-	-	(7 546 742)	(671 063)	-	-	42 185 904
Emergency equipment	34 710	-	(855)	-	-	-	281	(10 156)	770	24 750
Recreational Facilities	10 105 694	-	12 149 255)	-	-	-	(3 172 855)	(907 029)	11 169 671	5 046 226
	515 666 184	61 801 174	26 702 904)	(2 310)	126 618	(7 546 742)	(5 297 141)	(27 660 952)	22 814 712	533 198 639

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

Pledged as security

The municipality does not have any assets pledged as security.

Change in accounting estimates

Change in estimated costs of dismantling, removing or restoring items of landfill sites

In accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the previous financial year or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:

(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2016 by Environmental and Sustainability Solutions CC. It is calculated as the present value of the future obligation, discounted at prime interest rate. The following key assumptions were used: CPI of 6.2064% (2015: 4.1306%), discount rate of 8.4564% (2015: 3.6713%) and net effective discount rate of 2.25% (2015: 2.25%). The remaining estimated life of the landfill site of 10 years is used in the discounted calculation of the provision

The valuation resulted to change in estimate as follows:

	2016	2015
Change in provision for landfill closure	R5 644 648	R2 839 681

Change in useful lives

The Municipality reviews the remaining useful life of every movable asset on an annual basis year. All categories remaining useful life was reviewed and the effect is shown in the table below:

	Depreciation 2015
Emergency equipment	3 850
Furniture and fittings	298 611
Office equipment	103 492
Plant and equipment	92 447
	498 400

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Properties to the value of R 14,719,766 for which title deeds are registered under the name of the Municipality, have not been included in the Municipality's financial records. These properties are represented by land parcels, vacant and improved, over which the municipality does not execute any realistic form of control or have any legal claim, other than the title deed, to ownership.

5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 642 886	(271 623)	1 371 263	1 617 886	(199 947)	1 417 939
Rights to use naturally occurring assets	645 663	-	645 663	645 663	-	645 663
Total	2 288 549	(271 623)	2 016 926	2 263 549	(199 947)	2 063 602

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	1 417 939	25 000	(71 676)	1 371 263
Rights to use naturally occurring assets	645 663	-	-	645 663
	2 063 602	25 000	(71 676)	2 016 926

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	1 484 447	(66 508)	1 417 939
Rights to use naturally occurring assets	645 663	-	645 663
	2 130 110	(66 508)	2 063 602

Pledged as security

The municipality does not have any intangible assets pledged as security.

Used to secure (borrowings) (banking facilities) (other : specify) granted to the municipality of R - (2015: R -).- refer to note .

Restricted title

There are not restrictions on the title and disposal of intangible assets. No commitments have been entered into for the acquisition, maintenance and restoration of intangible assets.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

6. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	538 950	-	538 950	538 950	-	538 950

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical buildings	538 950	538 950

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Reconciliation of heritage assets 2015		
	Opening balance	Total
Historical buildings	538 950	538 950

Restrictions on heritage assets

There are not restrictions on the title and disposal of heritage assets.

Pledged as security

The municipality does not have any heritage assets pledged as security. No commitments have been entered into for the acquisition, maintenance and restoration of heritage assets.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

7. Employee benefit obligations

Post retirement Health Care Benefits Liability

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(26 763 894)	(35 827 894)
Benefits paid	1 077 400	1 022 000
Current service costs	(1 179 000)	(2 182 987)
Net actuarial gains and losses	(8 127 400)	13 437 934
Interest costs	(2 455 000)	(3 212 947)
	(37 447 894)	(26 763 894)

The municipality provides certain post retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aids Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Niel Fourie, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. An actuarial valuation has been performed of the liability in respect of post-employment health care benefits to employees and retirees of Bela Bela Municipality and to their registered dependants.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service members (employees)	232	159
Continuation	28	26

Net expense recognised in the statement of financial performance

Current service cost	1 179 000	2 182 987
Interest cost	2 455 000	3 212 947
Actuarial (gains) losses	8 127 400	(13 437 934)
	11 761 400	(8 042 000)

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
The liability in respect of past service has been estimated as follows:		
In-service members (employees)	24 096 000	14 937 000
Continuation members	13 352 000	11 827 000
	37 448 000	26 764 000

The municipality makes monthly contributions of health care arrangements to the following medical aid schemes:

- Keyhealth
- Bonitas
- Hosmed
- Samwumed
- LA Health

The current service cost for the year ending 30 June 2016 is estimated to be R 1 179 000 (2015 R2 182 987).

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	Yield curve	Yield curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curves	Difference between nominal and real yield curve
Medical Aid Contribution Inflation	CPI + 1%	CPI + 1%
Net Effective Discount Rate	Yield curve based	Yield curve based

The basis used to determine the overall expected rate of return on the statement of financial position assets is as follows: We used the nominal and real zero curves as at 20 June 2016 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Medical Aid inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Previously mortality before retirement was based on the SA 85-90 mortality tables whilst postemployment was based on PA (90) rated down one year.

Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Movement in the present value of the defined benefit obligation are as follows:

Opening balance	5 154 216	13 106 216
Net expense recognised in the statement of financial performance	11 761 400	(7 952 000)
Present value of fund obligation at the end of the year	16 915 616	5 154 216

The amounts recognised in the Statement of Financial Performance

Current service cost	1 179 000	2 182 987
Interest cost	2 455 000	3 212 947

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Actuarial (gains) losses	8 127 400	(13 347 934)
	11 761 400	(7 952 000)

The history of experienced adjustments is as follows:

Present value of Defined Benefit Obligation	37 448 000	26 764 000
	37 448 000	26 764 000

The Liability in respect of past service has been estimated as follows:

Changes in the fair value of plan assets are as follows:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

The liability in respect of past service has been estimated as follows:

The liability at the valuation date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R1 179 000 for current service cost and R2 455 000 for interest costs the effect is as follows:

	One percentage point increase	One percentage point decrease
Interest cost	4 491 000	3 267 000
Service cost	2 549 000	1 621 000
Total	7 040 000	4 888 000

Amounts for the current and previous four years are as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	4 671 000	4 403 000	2 527 592	2 050 334	1 610 516
Surplus (deficit)	4 671 000	4 403 000	2 527 592	2 050 334	1 610 516

8. Sundry debtors

Cash suspense RD	1 057 349	1 057 349
VAT suspense	6 564 339	2 210 486
Other receivables	225 456	225 456
Total	7 847 144	3 493 291

9. Agreements

Agreements consist of consumer debtors payment arrangements. Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months.

Short term agreements	651 192	889 344
Long term agreements	326 971	1 204 661
Total	978 163	2 094 005

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
10. Inventories		
Water	145 329	134 461
Inventory pledged as security		
No Inventory was pledged as security.		
11. Receivables		
Sundry debtors	1 090 164	3 345 335
WDM fire fighting	296 767	82 237
	1 386 931	3 427 572
12. Receivables from non-exchange transactions		
Fines	31 505 315	29 126 225
Allowance for impairment	(28 304 949)	(25 299 830)
	3 200 366	3 826 395
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(25 299 830)	(23 909 603)
Allowance for impairment	(3 006 010)	(1 390 227)
	(28 305 840)	(25 299 830)
13. VAT receivable		
VAT	6 121 836	5 631 042
14. Consumer debtors		
Gross balances		
Rates	60 594 867	61 306 013
Electricity	9 145 664	5 296 076
Water	13 411 198	12 972 259
Sewerage	5 444 876	3 257 797
Refuse	3 470 822	3 033 757
Other	38 536 545	38 670 871
	130 603 972	124 536 773
Less: Allowance for impairment		
Rates	(55 819 954)	(47 107 299)
Electricity	(4 732 889)	(3 854 238)
Water	(11 786 643)	(9 980 016)
Sewerage	(4 348 591)	(2 789 712)
Refuse	(2 848 348)	(2 575 894)
Other	(35 276 192)	(31 952 484)
	(114 812 617)	(98 259 643)

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Net balance		
Rates	4 774 913	14 198 713
Electricity	4 412 775	1 441 838
Water	1 624 556	2 992 243
Sewerage	1 096 285	468 085
Refuse	622 474	457 863
Other	3 260 353	6 718 387
	15 791 356	26 277 129
Included in above is receivables from exchange transactions		
Electricity	4 412 775	1 441 838
Water	1 624 556	2 992 243
Sewerage	1 096 285	468 085
Refuse	622 474	457 863
Other	3 260 353	6 718 387
	11 016 443	12 078 416
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	4 774 913	14 198 712
Net balance	15 791 356	26 277 128
Rates		
Current (0 -30 days)	6 158 445	17 848 019
31 - 60 days	1 947 834	1 806 726
61 - 90 days	1 710 424	1 327 641
91 - 120 days	2 969 561	1 375 355
121 - 365 days	8 978 019	6 686 194
> 365 days	38 830 584	32 262 078
	60 594 867	61 306 013
Electricity		
Current (0 -30 days)	5 116 573	3 666 452
31 - 60 days	149 072	93 756
61 - 90 days	175 555	80 547
91 - 120 days	97 842	334 363
121 - 365 days	951 139	568 249
> 365 days	2 655 483	552 709
	9 145 664	5 296 076
Water		
Current (0 -30 days)	2 110 010	1 310 523
31 - 60 days	490 188	444 765
61 - 90 days	407 256	341 635
91 - 120 days	420 416	270 884
121 - 365 days	2 161 943	1 554 063
> 365 days	7 821 385	9 050 389
	13 411 198	12 972 259

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Other		
Current (0 -30 days)	4 205 857	3 751 456
31 - 60 days	702 762	1 761 517
61 - 90 days	815 072	957 097
91 - 120 days	879 257	1 668 314
121 - 365 days	4 505 563	5 149 176
> 365 days	27 428 034	25 383 311
	38 536 545	38 670 871
Sewerage		
Current (0 -30 days)	1 532 975	448 801
31 - 60 days	259 243	138 182
61 - 90 days	219 675	103 054
91 - 120 days	326 412	93 664
121 - 365 days	1 003 590	498 997
> 365 days	2 102 981	1 975 099
	5 444 876	3 257 797
Refuse		
Current (0 -30 days)	838 965	428 821
31 - 60 days	116 999	121 815
61 - 90 days	99 421	89 684
91 - 120 days	93 482	79 490
121 - 365 days	441 608	437 876
> 365 days	1 880 347	1 876 070
	3 470 822	3 033 756

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Summary of debtors by customer classification		
Government		
Current (0 -30 days)	1 484 090	3 795 024
31 - 60 days	430 880	389 180
61 - 90 days	409 394	278 432
91 - 120 days	390 762	201 082
121 - 365 days	2 478 457	1 243 971
> 365 days	8 190 706	4 493 444
	13 384 289	10 401 133
Business		
Current (0 -30 days)	7 324 652	5 956 146
31 - 60 days	442 772	891 021
61 - 90 days	386 914	628 799
91 - 120 days	377 243	880 340
121 - 365 days	2 312 863	3 495 012
> 365 days	14 045 757	20 037 444
	24 890 201	31 888 762
House holds		
Current (0 -30 days)	7 913 086	8 880 496
31 - 60 days	1 808 512	2 279 739
61 - 90 days	1 771 018	1 334 871
91 - 120 days	2 039 544	1 877 024
121 - 365 days	8 970 631	6 790 461
> 365 days	35 934 156	30 197 658
	58 436 947	51 360 249
Other		
Current (0 -30 days)	3 240 996	8 822 407
31 - 60 days	983 933	806 822
61 - 90 days	860 079	657 557
91 - 120 days	1 979 421	863 624
121 - 365 days	4 279 911	3 365 111
> 365 days	22 548 196	16 371 107
	33 892 536	30 886 628
	130 603 973	124 536 772
Reconciliation of allowance for impairment		
Balance at beginning of the year	(98 259 643)	(118 821 515)
Debt impairment written off against allowance	(16 552 974)	20 561 872
	(114 812 617)	(98 259 643)

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 997	2 000
Bank balances	1 120 234	907 833
Short-term deposits	30 257 340	11 746 533
	31 381 571	12 656 366

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Credit quality of cash at bank and short term deposits, excluding unspent conditional grant		
Credit rating		
Investment	30 261 337	11 748 534
Cash and cash equivalent	3 286 930	2 053 082
Total cash	33 548 267	13 801 616
Less: unspent conditional grant	(34 434 030)	-
	(885 763)	13 803 616

See note 26 for reconciliation of grants

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral	800 000	800 000
--	---------	---------

Local Guarantees

The above guarantee is pledged to Eskom by means of the ABSA Bank Call account with the number 2066701092. The valuation amount for the current year ended 30 June 2016: R800 000 (2015: R800 000).

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

Current Account (Primary Bank Account)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK - Current Account - 1330000062	3 236 039	2 051 978	7 428 239	1 069 343	906 729	1 571 073
ABSA BANK - Call Account - 4078360937	50 891	1 104	361 733	50 891	1 104	361 733
Total	3 286 930	2 053 082	7 789 972	1 120 234	907 833	1 932 806

Call deposits

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK - Call Account - 9079442012	-	-	1 085 760	-	-	1 085 760
ABSA BANK - Call Account - 4078462834	189 705	54 128	-	189 705	54 128	-
ABSA BANK - Account Type - Deposit - 2066701092	800 000	800 000	800 000	800 000	800 000	800 000
FNB Limited - Call Account - 6204584148	270 093	261 629	254 988	270 093	261 629	254 988
Petty Cash	3 997	2 000	-	3 997	2 000	-
ABSA BANK - Call Account - 9295746149	23 941 662	2 147	16 001	23 941 662	2 147	16 001
ABSA BANK - Call Account - 9295745884	30 469	2 281	16 450 119	30 469	2 281	16 450 119
NEDBANK - Call Account - 03-7881110678	5 001 130	10 620 384	10 112 890	5 001 130	10 620 384	10 112 890
ABSA BANK - Call Account - 4073741532	3 835	3 960	-	3 835	3 960	-
ABSA BANK - Call Account - 9296620730	11 139	2 005	-	11 139	2 005	-
ABSA BANK - Call Account - 4087938456	1 065	-	-	1 065	-	-
ABSA BANK - Call Account - 4087938854	8 242	-	-	8 242	-	-
Total	30 261 337	11 748 534	28 719 758	30 261 337	11 748 534	28 719 758
Total cash and cash equivalents	33 548 267	13 799 616		31 381 571	12 656 366	

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
16. Finance lease obligation		
Minimum lease payments due		
- within one year	13 861 737	5 221 469
- in second to fifth year inclusive	21 233 067	1 794 880
- later than five years	-	-
	35 094 804	7 016 349
less: future finance charges	(6 561 593)	(526 258)
Present value of minimum lease payments	28 533 211	6 490 091
Non-current liabilities	18 530 105	1 754 489
Current liabilities	10 003 106	4 735 602
	28 533 211	6 490 091

Bela-Bela Local Municipality has leased computer equipment from BIG Time Strategic sourcing. The monthly lease payment is R372 446 with a 10% annual increment. The lease agreement is for the period of 36 month from 01 November 2013 to 31 October 2016. Ownership will pass to the Municipality after the expiry of lease contract. Bela-Bela has leased motor vehicle from Bertobrite Pty (Ltd) and Telephone System equipments from Intuate for a period of 36 months. The Monthly lease payment for motor vehicles is R with 9 % annual increment. The monthly lease payment for Telephone system is R15 602.34 with no yearly escalation. Bertobrite Pty(Ltd) lease agreement is from 01 February 2016 to 31 January 2019. The Intuate lease agreement is from the 1 November 2015 to 31 October 2019.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant	(33)	(33)
Municipal System Infrastructure Grant (MSIG)	268	268
Department of Water andForestry Grant (DWAF)	105	105
Municipal Infrastructure Grant (MIG)	34 434 029	-
Disaster Management Grant	(234)	(234)
Expanded Public Works Programme (EPWP)	(106)	(106)
	34 434 029	-

Movement during the year

Balance at the beginning of the year	-	292 682
Additions during the year	138 686 420	81 330 302
Income recognition during the year	(104 252 391)	(81 622 984)
	34 434 029	-

In April 2016 the Municipality was allocated additional R39 million MIG conditional grant of which contributed to the increase in unspent grants at the end of June 2016. The Municipality qualifies for an automatic rollover for the R34 million unspent to be utilized in 2016/17 financial year.

See note 26 for reconciliation of grants from National/Provincial Government.

18. Other Financial liabilities

At amortised cost

INCA Loan 00-003-7509	-	3 278 876
Interest rate 0%, monthly repayment R1 092 958.37. This loan was settled at 30 September 2015		

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Current liabilities		
At amortised cost	-	3 278 875

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

19. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Rehabilitation of landfill site	18 943 072	6 853 366	25 796 438
Performance bonus	318 805	132 885	451 690
Long service award provision	4 403 002	268 000	4 671 002
	23 664 879	7 254 251	30 919 130

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Rehabilitation of landfill site	15 770 064	3 173 008	18 943 072
Performance bonus	160 797	158 008	318 805
Long service award provision	2 527 592	1 875 410	4 403 002
	18 458 453	5 206 426	23 664 879

Non-current liabilities	25 796 438	18 943 072
Current liabilities	5 122 692	4 721 807
	30 919 130	23 664 879

Rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2016 by Environmental and Sustainability Solutions CC. It is calculated as the present value of the future obligation, discounted at prime interest rate. The following key assumptions were used: CPI of 6.2064% (2015: 4.1306%), discount rate of 8.4564% (2015: 3.6713%) and net effective discount rate of 2.25% (2015: 2.25%). The remaining estimated life of the landfill site of 10 years is used in the discounted calculation of the provision.

Provision for rehabilitation of landfill sites:

Carrying value

Balance at the beginning of the year	18 943 072	15 770 064
Changes in provision for landfill closure	5 644 648	2 839 681
Interest charge	1 208 718	333 327
Total Recognised Liability	25 796 438	18 943 072

Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Hildegard Wilson, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

For the year ended 30 June 2016, 370 (2015: 373) employees were eligible for long service awards. The current service cost for the year ending 30 June 2016 is estimated to be R 502 000 (2015: R 267 639).

The principal assumptions used for the purpose of the actuarial valuations were as follows:

Discount rate used	Yield curve	Yield curve
--------------------	-------------	-------------

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Salary increase rate	Equal to CPI+1%	Equal to CPI+1%
Net effective discount rate	Yield curve based	Yield curve based

Movement in the present value of the defined benefit obligation were as follows:

Carrying value

Balance at the beginning of the year	4 403 000	2 527 592
Current service cost	502 000	267 639
Interest cost	408 000	180 406
Benefits paid	(57 781)	(406 000)
Actuarial (gain) / losses	(584 219)	1 833 363
Total recognised benefit liability	4 671 000	4 403 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	502 000	267 639
Interest cost	408 000	180 406
Total post retirement benefit included in employee related costs	910 000	448 045

The liability at the valuation date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R534 0000 for current service cost and R464 000 for interest costs the effect is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost	589 000	486 000
Effect on the aggregate interest cost	505 000	427 000
	1 094 000	913 000

Amounts for the current and previous year are as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	4 671 000	4 403 000	2 527 592	2 050 334	1 610 516
Plan assets	-	-	-	-	-
Surplus (deficit)	4 403 000	4 403 000	2 527 592	2 050 334	1 610 516

Performance bonus

Chapter 3 of government gazette no 290289, of 01 august 2006, government: municipal performance regulations for municipal managers and managers directly accountable to municipal managers stipulate that, performance bonus ranging between 5% to 14% of the all-inclusive remuneration package may be paid to an employee in recognition of outstanding performance.

Management has made provision for performance bonus based at 10% of annual remuneration of section 56 managers.

20. Unknown deposit

Unknown deposit	9 761 247	7 584 628
-----------------	-----------	-----------

Deposits received in our bank account but we are unable to track who paid it and why.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
21. Payables from exchange transactions		
Trade payables	66 800 064	30 367 789
Payments received in advanced	17 294 409	19 279 899
Year end accruals	446 206	7 930 745
Accrued leave pay	7 506 395	6 278 507
Accrued bonus	2 038 069	1 780 891
Accrued payroll expenses	2 612 343	2 446 391
Retention creditors	6 093 704	3 313 220
Deposits on sale of land	435 167	438 917
	103 226 357	71 836 359
22. Consumer deposits		
Deposit received	5 350 810	5 473 413
23. Revenue		
Service charges	141 587 947	114 337 480
Rental of facilities and equipment	1 039 305	1 113 795
Licences and permits	3 201 147	2 741 698
Administration and management fees received	316 257	1 139 387
Commissions received	63 061	72 982
Demand charges	410 926	956 487
Traffic fines	1 875 710	3 980 969
Town planning scheme	435 200	440 731
Interest received	6 235 144	8 317 352
Property rates	46 336 732	54 228 731
Donations	7 270 367	32 000
Government grants & subsidies	104 252 391	84 130 870
Traffic fines	3 028 800	4 450 800
	316 052 987	275 943 282
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	141 587 947	114 337 480
Rental of facilities and equipment	1 039 305	1 113 795
Licences and permits	3 201 147	2 741 698
Administration and management fees received	316 257	1 139 387
Commissions received	63 061	72 982
Demand charges	410 926	956 487
Traffic fines	1 875 710	3 980 969
Town planning scheme	435 200	440 731
Interest received	6 235 144	8 317 352
	155 164 697	133 100 881
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	46 336 732	54 228 731
Donations	7 270 367	32 000
Transfer revenue		
Government grants & subsidies	104 252 391	84 130 870
Traffic fines	3 028 800	4 450 800
	160 888 290	142 842 401

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

24. Property rates

Rates received

Property rates	46 336 732	54 228 731
----------------	------------	------------

Valuations

Valuations of properties are performed every 4 years. The last general valuation came into effect on 1 July 2012. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations, subdivisions, consolidations and other alterations as stipulated in the Municipal Property Rates Act.

The rate randages are as follows:

Farms is R0.0113

Residential properties R0.0106

Government properties R0.0133

Business / Industrial R0.0133 and

Vacant land R0.0133

25. Service charges

Sale of electricity	103 326 621	84 979 807
Sale of water	22 624 734	17 522 872
Solid waste	6 171 908	5 468 562
Sewerage and sanitation charges	9 464 684	6 366 239
	141 587 947	114 337 480

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
26. Government grants and subsidies		
Operating grants		
Equitable share	63 428 000	54 332 000
Finance Management Grant	1 600 000	1 600 047
Municipal System Improvement Grant	930 000	934 004
Department of Water Affairs	-	999 895
SETA	164 293	148 302
Extended Public Works Program	1 083 000	1 123 106
Disaster Management Grant	-	292 644
Municipal Water Infrastructure Grant	10 000 000	-
Intergration National Electrification Programme	2 000 000	-
	79 205 293	59 429 998
Capital grants		
Municipal Infrastructure Grant	25 047 098	24 700 872
	25 047 098	24 700 872
	104 252 391	84 130 870

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Finance Management Grant

Balance unspent at beginning of year	(33)	-
Current-year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(1 600 000)	(1 600 033)
	(33)	(33)

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

The conditions of the grant are as follows:

- Appointment of an appropriately skilled municipal manager and CFO
- Appointment of at least two interns for purposes of building future financial management capacity
- Council resolution committing council to reforms
- Submission of primary bank account details
- Development of an action plan for implementation
- Monthly reporting on performance

Municipal System Infrastructure Grant

Balance unspent at beginning of year	264	268
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 004)
	264	264

Municipal Systems Improvement Grant (MSIG) deals with transfers to assist municipalities with building in-house capacity to perform their functions and stabilise institutional and governmental systems

Department of Water and Forestry Grant

Balance unspent at beginning of year	105	-
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(999 895)
	105	105

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and the environment, through effective policies, integrated planning, strategies, knowledge base and procedures.		
Municipal Infrastructure Grant		
Current-year receipts	61 989 000	24 700 872
Conditions met - transferred to revenue	(27 554 971)	(24 700 872)
	34 434 029	-

The Municipal Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to municipalities. The key principles underpinning the design of the MIG are outlined below:

- Focus on infrastructure required for a basic level of service: The MIG programme is aimed at providing only basic infrastructure.
- Targeting the poor: The programme is aimed at providing services to the poor and funds will therefore be targeted to reach them.
- Maximising economic benefits: The programme will be managed to ensure that the local economic spin-offs through providing infrastructure are maximised. This includes employment creation and the development of enterprises.
- Equity in the allocation and use of funds: The mechanism for distributing funds must provide for equitable access to such funds by the poor in order to make uniform progress in closing the infrastructure gap.

SETA Grant

Current-year receipts	164 293	148 302
Conditions met - transferred to revenue	(164 293)	(148 302)
	-	-

The grant is utilised for training of officials in the municipality.

Disaster Management Grant

Balance unspent at beginning of year	(234)	(234)
--------------------------------------	-------	-------

Conditions still to be met - remain liabilities (see note 17).

The grant is utilised to fund relief operations after disasters within the jurisdiction of the municipality. The municipality were declared a disaster in March 2014.

Extended Public Works Program

Balance unspent at beginning of year	(106)	(106)
Current-year receipts	1 083 000	1 123 000
Conditions met - transferred to revenue	(1 083 000)	(1 123 106)
	(106)	(106)

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

Municipal Water Infrastructure Grant (MWIG)

Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(10 000 000)	-
	-	-

The purpose of this grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Integrated National Electrification Programme		
Current-year receipts	2 000 000	-
Conditions met - transferred to revenue	(2 000 000)	-
	-	-

The purpose of this grant is to facilitate the planning, funding and implementation of national electrification projects and all related bulk infrastructure.

27. Donations

Current year receipts	7 270 367	32 000
-----------------------	-----------	--------

Provide explanations of conditions still to be met and other relevant information

28. Other income

Insurance claims	255 695	60 761
Surplus cash	2 085	(156)
Engineering levy	19 137	22 514
Fire brigade levies	617	-
Meter testing	3 421	3 734
New connections	42 577	23 662
Penalties - tamper meters	157 306	375 006
Advertising	63 292	-
Re-connections	292 031	1 907 645
Received from District Council	562 648	529 107
Refuse bins	36 034	43 709
Street trading	1 863	228
Miscellaneous income	155 518	849 977
Procurement income	283 486	164 782
	1 875 710	3 980 969

29. Fines

Traffic fines	3 028 800	4 450 800
---------------	-----------	-----------

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
30. General expenses		
Advertising	525 999	895 342
Auditors remuneration	2 553 040	3 206 430
Bank charges	810 499	1 831 314
Cleaning	237 336	162 335
Consulting and professional fees	20 752 901	8 894 677
Debt collection	3 217 128	6 015 307
Donations	14 719 766	130 888
Entertainment	3 354	15 490
Internal audit	1 140 847	143 754
Insurance	17 101	21 937
IT expenses	(4 468)	2 053 321
Lease rentals on operating lease	20 894 094	23 664 578
Fuel and oil	2 988 717	2 643 166
Recruitment costs	6 200	57 571
Postage and courier	4 799	383 119
Printing and stationery	674 797	519 915
Research and development costs	342 502	271 916
Staff welfare	97 124	61 685
Subscriptions and membership fees	1 280 400	1 031 743
Telephone and fax	897 292	1 634 884
Extinguish material	-	13 172
Uniforms	1 013 301	1 157 380
Community outreach program	2 418 133	1 340 780
Equitable share levy	2 275 268	3 533 946
Valuation costs	1 461 916	1 380 967
Risk and asset management	32 465	5 342 888
Contractor services	10 211 671	11 442 063
Delegation costs	1 177 437	1 314 645
Other expenses	-	28 238
Capacity building	1 043 225	1 560 325
Chemicals	758 712	1 199 450
Disaster management	-	258 856
	91 551 556	82 212 082

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
31. Employee related costs		
Basic	62 937 257	52 966 308
Bonus	4 731 381	3 654 853
Medical aid - company contributions	5 874 779	3 876 987
UIF	554 563	488 910
SDL	795 211	702 109
Leave pay provision charge	387 796	117 376
Current service costs	1 681 000	2 450 626
Post-employment benefits - pension	12 009 623	10 154 604
Overtime payments	5 977 456	5 233 561
Workmens compensation	-	1 987 404
Acting allowances	833 379	1 555 906
Transport allowance	6 979 906	5 514 278
Cellphone allowance	1 126 320	784 522
Performance bonus	321 808	415 298
Non Pension	477 665	-
Long service awards	25 806	-
Unions contributions	(23 237)	-
	104 690 713	89 902 742

Remuneration of municipal manager

Annual Remuneration	869 723	425 965
Car Allowance	357 330	175 020
Contributions to UIF, Medical and Pension Funds	210 636	99 274
Other allowances	295 374	19 664
Cellphone allowance	27 156	13 578
	1 760 219	733 501

The Municipal Manager was appointed on 01 January 2015.

Remuneration of chief finance officer

Annual Remuneration	698 400	335 369
Car Allowance	246 840	106 622
Contributions to UIF, Medical and Pension Funds	32 757	90 064
Cellphone allowance	17 000	10 200
Other allowance	1 150	70 947
Acting allowances	-	83 982
	996 147	697 184

The Chief Financial Officer was appointed from 1st September 2015.

Remuneration corporate services manager

Annual Remuneration	-	508 037
Car Allowance	-	192 400
Contributions to UIF, Medical and Pension Funds	-	97 642
Other allowances	-	36 148
Cellphone allowance	-	15 000
	-	849 227

The Manager Corporate Services was vacant during the current year.

Remuneration of social and community services manager

The Manager of social and community services was vacant during the current year.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Remuneration of planning and economic development manager		
Annual Remuneration	575 740	451 400
Car Allowance	241 619	191 670
Contributions to UIF, Medical and Pension Funds	169 632	128 090
Cellphone allowance	18 000	15 000
Other allowances	158 494	24 822
	1 163 485	810 982

The Manager Planning and Economic Development was employed from 01 September 2014.

Remuneration of technical services manager

Annual Remuneration	589 320	-
Car Allowance	232 980	-
Contributions to UIF, Medical and Pension Funds	175 876	-
Cellphone allowance	18 000	-
Other allowances	2 646	-
	1 018 822	-

The Manager Technical Services was appointed 01 July 2015

32. Remuneration of councillors

Mayor	778 852	762 768
Chief Whip	673 120	584 170
Executive Committee Members	2 135 306	1 205 121
Speaker	691 881	634 873
Councillors	2 080 560	2 710 008
	6 359 719	5 896 940

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand		2016		2015						
Reconciliation of councillors - 2016										
	Position	Annual salary	Travelling allowance	Medical allowance	Back pay	Reimbursement	Pension contribution @ 15%	Cell allowance	Mobile data	Total
Nhlapo ML	Mayor- FT	438 635	183 743	42 878	23 052	281	65 795	20 868	3 600	778 582
Maluleka SE	Speaker- FT	350 540	146 995	38 202	18 442	60 653	52 581	20 868	3 600	691 881
Radebe RM	Chief Whip-FT	309 798	137 809	65 535	17 289	71 751	46 470	20 868	3 600	673 120
VD Merwe JF	EC Member- PT	264 167	-	-	10 377	-	39 625	20 868	3 600	338 637
Ngobeni MJ	EC Member- PT	329 865	137 806	34 759	17 289	4 425	49 480	20 868	3 600	598 092
Mokonyane TE	EC Member- PT	184 916	70 886	-	9 682	-	27 737	20 868	3 600	317 689
Mokgethoa WKR	EC Member- PT	167 323	64 141	-	9 682	-	25 098	20 868	3 600	290 712
Malete GT	EC Member- PT	223 010	-	-	9 682	-	33 465	20 868	3 600	290 714
Mahlangu PM	EC Member- PT	167 323	64 141	-	9 682	8 748	25 098	20 868	3 600	299 461
Aphane PM	Councillor-PT	125 787	55 234	26 992	7 544	-	18 868	20 868	3 600	258 893
Ras MN	Councillor-PT	192 118	-	-	7 544	-	28 818	20 868	3 600	252 948
Hlungwane FS	Councillor-PT	139 014	61 979	26 305	7 544	15 175	20 852	20 868	3 600	295 337
Ledwaba MH	Councillor-PT	215 573	-	-	7 544	2 356	32 336	20 868	3 600	282 277
Senosha MD	Councillor-PT	144 087	55 237	-	7 544	601	21 613	20 868	3 600	253 550
Alberts KB	Councillor-PT	119 253	45 714	-	7 544	-	17 888	17 390	3 000	210 789
Mpete LR	Councillor-PT	144 016	49 216	-	7 544	-	21 602	20 868	3 600	246 846
Sesane MJ	Councillor-PT	215 573	-	-	7 544	-	32 336	20 868	3 600	279 921
		3 731 087	1 072 901	234 671	185 529	163 990	559 662	351 278	60 600	6 359 719

Reconciliation of councillors - 2015

	Position	Annual salary	Travelling allowance	Medical allowance	Other allowances	Reimbursement	Pension contribution @ 15%	Cell allowance	Mobile data allowance	Total
Nhlapo ML	Mayor-FT	410 505	171 996	44 057	30 502	19 664	61 576	20 868	3 600	762 768
Maluleka SE	Speaker-FT	329 692	137 598	34 474	24 401	34 787	49 454	20 868	3 600	634 873
Radebe RM	Chief Whip - FT	301 665	129 000	42 438	22 877	18 472	45 250	20 868	3 600	584 170
Sesane MJ	EC Member- FT	151 280	-	-	10 857	-	22 692	13 912	2 400	201 141
VD Merwe JF	EC Member- FT	246 779	-	-	12 582	-	37 017	20 868	3 600	320 846
Ngobeni MJ	EC Member- FT	310 137	128 998	31 061	22 877	20 014	46 521	20 868	3 600	584 076
Malete GT	EC Member- FT	79 045	-	-	-	-	11 857	6 956	1 200	99 058
Ras MN	Councillor-PT	179 472	-	-	9 150	-	26 921	20 868	3 600	240 011
Ledwaba MH	Councillor-PT	179 472	-	-	9 150	-	26 921	20 868	3 600	240 011
Hlungwane FS	Councillor-PT	114 462	51 596	23 737	9 704	2 314	17 169	20 868	3 600	243 451
Aphane PM	Councillor-PT	120 309	51 596	20 934	9 150	14 700	18 046	20 868	3 600	259 201
Mokgethoa WKR	Councillor-PT	166 485	63 820	-	16 075	5 328	24 973	20 868	3 600	301 149
Mokonyane TE	Councillor-PT	121 383	46 531	-	4 332	7 706	18 208	15 651	2 700	216 511
Mahlangu PM	Councillor-PT	166 485	63 820	-	16 075	1 938	24 973	20 868	3 600	297 759
Senosha MD	Councillor-PT	167 759	13 473	-	9 150	3 802	25 164	20 868	3 600	243 816
Alberts KB	Councillor-PT	134 612	51 596	-	9 150	16 820	20 191	20 868	3 600	256 837
Mpete LR	Councillor-PT	120 532	-	-	5 083	-	18 080	13 912	2 400	160 007
Sesane MJ	Councillor-PT	61 592	-	-	-	-	9 239	6 956	1 200	78 987
Malete GT	Councillor-PT	103 145	-	-	7 675	-	8 841	12 173	2 100	133 934
Monanyane M	Councillor-PT	22 104	8 472	-	365	-	3 315	3 478	600	38 334
		3 486 915	918 496	196 701	229 155	145 545	516 408	344 322	59 400	5 896 940

In-kind benefits

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
The mayor, speaker and chief whip are full-time. Each is expected to be provided with an office and secretarial support at the cost of the Council.		
33. Debt impairment		
Debt impairment - traffic fines	3 232 054	4 958 107
Debt impairment - consumer debtors	25 944 421	25 351 422
	29 176 475	30 309 529
34. Interest received		
Interest revenue		
Interest received - investment	940 360	2 268 353
Interest charged on trade and other receivables	5 294 784	6 048 999
	6 235 144	8 317 352
35. Fair value adjustments		
Investment property (Fair value model)	13 203 875	1 959 918
36. Depreciation and amortisation		
Property, plant and equipment	31 051 878	27 727 459
37. Actuarial Gain / (Loss)		
Actuarial gain / (loss) - post employment medical aid	642 000	13 825 104
Actuarial gain / (loss) - long service award	(7 050 000)	(1 821 773)
	(6 408 000)	12 003 331
38. Finance costs		
Finance leases	2 424 098	949 401
Interest on loan	-	2 280 472
Interest on landfill site	1 208 718	333 327
Other on long service awards	2 863 000	3 393 353
	6 495 816	6 956 553
39. Auditors' remuneration		
Fees	2 553 040	3 206 430
40. Bulk purchases		
Electricity	73 617 872	65 912 735
Water	5 230 205	6 384 916
	78 848 077	72 297 651

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
41. Cash generated from operations		
Deficit	(39 474 647)	(40 913 763)
Adjustments for:		
Depreciation and amortisation	31 118 391	27 729 768
Actuarial adjustment	6 408 000	(12 003 331)
Fair value adjustments	(13 203 875)	(1 959 918)
Reclass to expenditure	-	7 420 126
Financing - interest expense	6 495 816	6 956 553
Non cash movement - PPE and investment	37 414 880	-
Loss on disposal	1 968 058	997 844
Obligations	10 684 000	2 939 331
Movements in provisions	7 254 251	5 206 424
Changes in working capital:		
Inventories	(10 868)	(28 629)
Receivables	9 423 637	(398 476)
Payables from exchange transactions	26 060 429	53 591 550
Unspent conditional grants and receipts	34 434 029	(292 682)
	118 572 101	49 244 797

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

42. Commitments

Capital commitments

Approved and contracted for

• Property, plant and equipment	27 808 564	9 226 991
---------------------------------	------------	-----------

Approved but not yet contracted for

• Property, plant and equipment	263 317 105	209 266 077
---------------------------------	-------------	-------------

Operational commitments

• Property, plant and equipment	110 134 250	136 886 464
---------------------------------	-------------	-------------

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 059 441	34 157 054
- in second to fifth year inclusive	204 650	37 164 648
	1 264 091	71 321 702

Operating lease payments represent rental payable by the municipality for photocopying machine and that are leased from Nashua and Tenderwood and Palesa Tech Pty(Ltd), Tenderwood trading as Panasonic,Sci-fi,and Kinolta Minolta and cash collection device from Fedelity. The operating lease for photocopy machine at Nashua is three years and rental payable at fixed rate for a period of lease term.The lease term for Kinolta Minolta,Tenderwood trading as Panasonic and Sci-fi are for month-month basis.Lease payments for photocopying machines are paid at fixed amount over lease term except for Minolta which escalates yearly by 15% as well as lease from Fidelity which escalates by CPI plus 2%.The Municipality had an operating lease contract for the lease of Municipal fleet which was terminated during the financial year and replaced with a finance lease contract.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	942 142	824 508
- in second to fifth year inclusive	-	-
- later than five years	-	-
	942 142	824 508

The municipality owns properties that are leased out to the employees for the period not exceeding 12 months.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

43. Contingencies

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable. Amounts have not been provided in certain cases as the court has not yet determined a value. The claims are divided in the under mentioned groups:

41.1 Contingent liabilities:

1. Nyambeni LR vs Bela-Bela - the value of the claim is R350,000 and it is regarding a disciplinary hearing due to misconduct. Mr. Nyambeni LR was previously employed as the Manager Technical Services and was subsequently dismissed due to misconduct on 28 October 2014. The matter was referred for arbitration as unfair dismissal. The matter is to be settled, the settlement proposal was sent to Mr Nyambeni's attorneys for their consideration.
2. Charles Dennis Duggan & 3. The applicants requesting an order that the municipality relocate the occupiers of erf 1491 & 1492 to suitable and alternative land. The municipality may be subjected to a claim of R450 000. The municipality had filed opposing papers on the 17 February 2016 and are awaiting responses from all cited parties.
3. Dikala Plant Hire. This claim is regarding the dispute of the termination of the service level agreement and the validity of joint venture agreement between Dikala and BBT. The further ancillary relief was for the Court to order the municipality to pay all arrear and future payments directly into the account of Dikala. The matter has been set down for the week of 24 to 28 October 2016. The claim is estimated to cost R44 013 809.
4. Lourens Humphries obo LJ Humphries - The value of the claim is R800 000 and it is regarding Mr. L Humphries instituted a claim against the Municipality as guardian to LJ Humphries. It is alleged that in March 2015 LJ fell off his bicycle after riding into an open ditch next to the road on the pavement which is situated within the Municipal area. All documents have been provided to the Attorneys of our Insurer Lateral Unison and pleadings are in the process of being exchanged.
5. Elaine Wildey. It is alleged that damage occurred to Ms. Wildey's vehicle whilst on the R101 road due to a pot hole on the road. The value of the claim is R24 289.48. We have entered a notice of intention to defend the matter and later filed our plea. The plaintiff's attorneys did not take the matter any further. Our attorneys have kept the file in abeyance pending further action by the Plaintiff's attorneys. The Plaintiffs were made aware that the Municipality is not responsible for the maintenance of the R101 road.
6. Fawcett Security Services. On 27 January 2016 Fawcett security made an urgent application in the high court after the municipality terminated their contract. The said application was dismissed with cost by the high court. The Sheriff served combined summons at records on the 27 January 2016 which does not constitute proper service and subsequent to that Fawcett Security obtained default judgment against the Municipality as the summons were not attended to. The Municipality has launched an application to set aside the default judgment which Fawcett is in the process of opposing currently. Settlement of the litigation is estimated to be R7 472 502.
7. Zibre Beleggings CC. The Municipality has been cited as the second respondent in the application. The applicant requests the Pretoria High Court to order the Municipality to provide temporary accommodation to the unlawful occupiers on their farm Zibredy 103 JR and to further obtain land for the purpose of the relocation of the unlawful occupiers of the property, amongst others. The claim is estimated to cost the municipality R450 000. The applicant's relief requested against the second and third respondents in Part B of the notice of motion is postponed for adjudication.

41.2 Contingent assets:

1. Bela Bela vs Compensation Commissioner. Value of the claim with Compensation Commissioner is R101 108.63. Municipality have lodged an application to Compensation Commissioner to be reimbursed of the medical expenses incurred to one of the employee injured while on duty. The timing of the litigation is unknown at the moment.

44. Related parties

Relationships

Accounting Officer

Members of key management and councillors

Refer to accounting officer's report note

Refer to note 30 & 31

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

45. Prior period errors

1. During the 2014/15 financial year:

- 1.1 we discovered that consumers were incorrectly levied with incorrect tariffs as opposed to the correct approved municipal and NERSA tariffs for electricity and sanitation.
- 1.2 during the 2014/15 asset verification the following categories of assets were not found on the floor and were written off, however when we performed the 2015/16 verification the assets were found on the following categories of assets:
- office equipment
 - computer equipment
 - furniture and fixtures &
 - emergency equipment
- 1.3 Investment property, community assets and infrastructure - During the 2015/16 financial year we endeavoured to perform a thorough review of the municipal land, investment properties and associated infrastructure network to ensure completeness of the full immovable asset portfolio.

This investigation, aided by a newly established valuation roll, resulted in the identification of a number of anomalies between registered land parcels and properties registered within the financial records of the municipality. These anomalies related to previously unregistered properties, properties previously registered in the name of the Republic of South Africa and properties subdivided without the subdivision registered at the Registrar of Deeds. In order to ensure completeness of municipal controlled land, these anomalies were addressed and where applicable, the financial records have been restated.

In addition to this investigation necessitating changes to municipal land and Investment properties, it also assisted in the identification of water and sanitation infrastructure assets which were previously omitted from the asset register. In order to ensure completeness of municipal infrastructure, these anomalies were addressed and where applicable, the financial records have been restated.

The investigation in the completeness of the municipal facilities, aided by the land investigation revealed in the identification of community facility components which were erroneously not derecognised from the register. In order to ensure completeness of municipal infrastructure, these anomalies were addressed and where applicable, the financial records have been restated.

Resultant from the changes required through the publication of the extra ordinary gazettes dealing with the declaration of provincial roads (Gazette no. 2372 and Gazette no. 2417) and clarity provided by RAL during September 2015 on the exact boundaries of the declared roads, certain changes were required on the roads and stormwater infrastructure network in order to align the municipality's roads and stormwater network.

- 1.4 During 2014/15 financial year unknown deposits that were deposited to the traffic fines bank account were erroneously recorded as the payment of traffic fines. The error has been corrected by moving those deposits to the unknown deposit account. The effect on the restated 2014/15 financial year figures is as follows:

Increase in traffic fines receivables R3 387 680
Increase in unknown deposits payables R3 387 680

The correction of the error(s) results in adjustments as follows:

Statement of financial position

	Audited AFS 30 June 2015	Restated AFS 30 June 2015	Restatements
Property, plant and equipment	538 495 779	533 198 639	(5 297 140)
Consumer debtors from exchange transactions	13 653 163	12 078 415	(1 574 748)
Investment property	176 952 621	344 816 649	167 864 028
Receivables from non exchange transactions	438 715	3 826 395	3 387 680
Unknown deposits	4 196 948	7 584 628	(3 387 680)
Opening Accumulated Surplus or Deficit	632 073 820	793 065 960	160 992 140

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

46. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality credit profile and diversified funding sources to ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The municipality manages liquidity risk through ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared.

Credit risk

This creditworthiness can mainly be ascribed to three things,

- (i) adequate revenue that supports borrowing
- (ii) reliable financial information, which is necessary for public disclosure, and
- (iii) proper credit ratings.

All three these elements are important to ensure municipal creditworthiness. The municipality faces enormous constraints on all three these elements.

The municipality does not have adequate revenue to support borrowing, mainly due to debt outstanding and the collection is hampered by the poverty levels which increase the indigent book of the municipality. Incentives were implemented to enter into agreement with debtors with intention to write –off 50% of debts owed if 50% is paid within agreed time.

The reliability of financial information is determined by factors such Auditor General's opinion of financial statements which will turn effect credit ratings of municipality

Council took a resolution to pay-off its loan term loan with INCA within next twelve months and the loan is converted into short-term as result of the decision taken. As a result of restructuring the outstanding amount as at 30 June 2015 is R3 278 875 and it was settled at 30 September 2015.

Interest rate risk

The municipality's interest rate risk arises from investments at variable rates which exposes the municipality to cash flow interest rate risk. Investment at fixed rates exposes the municipality to fair value interest rate risk. The municipal policy is to not invest with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are call deposits.

Refer to note15 that indicates the breakdown of all the investments.

47. Unauthorised expenditure

Opening balance	30 875 995	30 875 995
Less:Irrecoverable	(30 875 995)	-
	-	30 875 995

The municipality took an exercise of fully comply with GRAP 17 (Property, plant and Equipment). This exercise has led to an increase in depreciation on the adjustment budget which was more than was anticipated. This is non-cash item and it contributed significantly to the R30 875 995 disclosed as unauthorised expenditure.

The municipality further calculated a more realistic debt impairment cost. This resulted into overspending on that line item. Again this is a non-cash item. Therefore the overspending is due to non-cash items.

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

48. Fruitless and wasteful expenditure

Opening balance	618 070	617 948
Fruitless and wasteful expenditure current year	857 891	122
	1 475 961	618 070

The current year fruitless and wasteful expenditure amounting to R857 891 relates to the late payment of invoices to Eskom and Auditor General due to late payments.

49. Irregular expenditure

Opening balance	52 704 069	49 218 923
Add: Irregular Expenditure - current year	-	3 485 146
Less: Irrecoverable	(52 704 069)	-
	-	52 704 069

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	951 743	728 180
Amount paid - current year	(951 743)	(728 180)
	-	-

Material losses through criminal conduct

Opening balance	858 454	855 454
Current year subscription / fee	-	3 000
	858 454	858 454

An amount of R 3000 was withdrawn on one of the municipality's bank accounts fraudulently in the previous financial year. The case is still on going internally

Audit fees

Opening balance	59 252	-
Current year subscription / fee	2 836 359	3 265 682
Amount paid - current year	(2 553 040)	(3 206 430)
	342 571	59 252

PAYE and UIF

Opening balance	963 684	-
Current year subscription / fee	13 295 717	10 337 970
Amount paid - current year	(13 122 711)	(9 374 286)
	1 136 690	963 684

Pension and medical aid deductions

Opening balance	2 011 044	-
Current year subscription / fee	8 699 250	22 137 742
Amount paid - current year	(8 437 200)	(20 126 698)
	2 273 094	2 011 044

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

VAT

VAT receivable	6 121 836	5 631 042
----------------	-----------	-----------

VAT output payables and VAT input receivables are shown in note 13.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
REM Radebe	318	-	318
SE Maluleka	818	-	818
MJ Ngobeni	248	-	248
ML Nhlapo	2 337	-	2 337
JFMP Van Der Merwe	4 855	-	4 855
MJ Sesane	386	-	386
FS Hlungwane	276	-	276
MH Ledwaba	3 749	-	3 749
	12 987	-	12 987

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
REM Radebe	338	-	338
SE Maluleka	666	-	666
MJ Ngobeni	247	-	247
ML Nhlapo	1 252	-	1 252
JFMP Van Der Merwe	2 221	-	2 221
MJ Sesane	1 548	41	1 589
FS Hlungwane	527	-	527
MH Ledwaba	2 452	12 547	14 999
	9 251	12 588	21 839

During the year all Councillors were informed about the amount owing and were informed that they are in contravention of Scheme B of the Municipal Systems Act

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

51. Deviation from supply chain management regulations

Paragraph 36(2) of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances: •

- Sole suppliers
- Emergency
- Impracticality

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

	2016	2015
Deviation from SCM regulation	R2 819 609	R3 397 614

Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

52. Distribution Losses

Distribution losses incurred by the Municipality were as follows:

2016

Description	Water	Electricity	Total
Purchases	2 432 643	93 748 617	96 181 260
Sales	1 819 853	77 667 529	79 487 382
Losses (Kl or Kwh)	612 790	16 081 088	16 693 878
Amount losses (R)	7 163 515	20 016 130	27 179 645
Percentage losses	25.19%	17.15%	17.35%
Avoidable losses			
Units (Kl or Kwh)	247 894	14 472 979	14 720 873
Amounts (R)	2 897 881	18 014 517	20 912 398
Percentage	10.19%	15.44%	15.35%
Technical losses			
Units (Kl or Kwh)	364 896	1 608 109	1 973 005
Amounts (R)	4 265 634	2 001 613	6 267 247
Percentage	15%	1.72%	2.05%

2015

Description	Water	Electricity	Total
Purchases	3 168 675	90 788 316	93 956 991
Sales	2 427 697	71 948 914	74 376 611
Losses (Kl or Kwh)	740 978	18 839 402	19 580 380
Amount losses (R)	1 885 614	9 696 012	11 581 626
Percentage losses	23.38%	20.75%	44.13%
Avoidable losses			
Units (Kl or Kwh)	265 586	9 760 172	10 025 758
Amounts (R)	675 853	5 023 235	5 699 088
Percentage	8.38%	10.75%	19.13%
Technical losses			
Units (Kl or Kwh)	475 392	9 079 230	9 554 622
Amounts (R)	1 209 761	4 672 777	5 882 538
Percentage	15%	10%	25%

53. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix G3 for the comparison of actual operating expenditure versus budgeted expenditure.

Appendix A

June 2016

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
External Loans							
Annuity Loan - INCA	00-0003 and 00-0004	30 September 2016	3 278 875	-	3 278 875	-	-
			3 278 875	-	3 278 875	-	-
Total external loans							
External Loans			3 278 875	-	3 278 875	-	-
			3 278 875	-	3 278 875	-	-

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Provision adjustment Rand	Closing Balance Rand	Opening Balance Rand	Derecognition - Acc depr Rand	Reclassify Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Housing (Inc land)	21 819 971	-	-	-	-	-	21 819 971	(16 320 972)	-	-	(391 685)	-	(16 712 657)	5 107 314
Operational buildings	49 531 633	-	-	-	-	-	49 531 633	(20 532 425)	-	-	(1 637 646)	-	(22 170 071)	27 361 562
Roads and stormwater	876 356	-	-	-	-	-	876 356	(4 382)	-	-	(8 764)	-	(13 146)	863 210
	72 227 960	-	-	-	-	-	72 227 960	(36 857 779)	-	-	(2 038 095)	-	(38 895 874)	33 332 086

Infrastructure

Electricity	120 927 930	517 509	-	-	-	-	121 445 439	(72 729 277)	-	-	(2 922 475)	-	(75 651 752)	45 793 687
Roads and stormwater network	366 176 054	17 630 367	(6 017 885)	-	-	-	377 788 536	(163 408 366)	4 246 967	-	(7 384 433)	-	(166 545 832)	211 242 704
Sanitation network	189 743 001	-	-	-	-	-	189 743 001	(124 346 885)	-	-	(2 754 562)	-	(127 101 447)	62 641 554
Water supply network	247 017 193	24 978 164	(220 150)	-	-	-	271 775 207	(150 566 208)	188 767	-	(5 576 165)	(66 513)	(156 020 119)	115 755 088
	923 864 178	43 126 040	(6 238 035)	-	-	-	960 752 183	(511 050 736)	4 435 734	-	(18 637 635)	(66 513)	(525 319 150)	435 433 033

Community Assets

Parks & gardens	63 655 580	7 220 915	(271 555)	-	-	5 644 648	76 249 588	(34 980 963)	208 053	-	(1 781 553)	-	(36 554 463)	39 695 125
Recreational facilities	11 083 134	-	-	-	-	-	11 083 134	(6 036 909)	-	-	(243 340)	-	(6 280 249)	4 802 885
	74 738 714	7 220 915	(271 555)	-	-	5 644 648	87 332 722	(41 017 872)	208 053	-	(2 024 893)	-	(42 834 712)	44 498 010

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Provision adjustment Rand	Closing Balance Rand	Opening Balance Rand	Derecognition - Acc depr Rand	Reclassify Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Buildings	538 950	-	-	-	-	-	538 950	-	-	-	-	-	538 950
	538 950	-	-	-	-	-	538 950	-	-	-	-	-	538 950

Specialised vehicles

Other assets

Plant & equipment	863 971	801 670	(327 402)	-	-	-	1 338 239	(670 672)	279 051	-	(202 008)	-	(593 629)	744 610
Furniture & Fittings	3 761 862	304 635	(255 345)	-	-	-	3 811 152	(2 799 722)	240 544	-	(376 389)	-	(2 935 567)	875 585
Office Equipment	13 312 784	571 597	(372 750)	-	-	-	13 511 631	(5 384 703)	333 646	-	(4 157 524)	-	(9 208 581)	4 303 050
Emergency Equipment	92 844	-	-	-	-	-	92 844	(68 094)	-	-	(9 092)	-	(77 186)	15 658
Work in progress	42 185 904	50 727 023	(43 126 040)	-	-	-	49 786 887	-	-	-	-	-	-	49 786 887
	60 217 365	52 404 925	(44 081 537)	-	-	-	68 540 753	(16 581 761)	8 651 553	-	(4 884 755)	-	(12 814 963)	55 725 790

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Provision adjustment Rand	Closing Balance Rand	Opening Balance Rand	Derecognition - Acc depr Rand	Reclassify Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	72 227 960	-	-	-	-	-	72 227 960	(36 857 779)	-	-	(2 038 095)	-	(38 895 874)	33 332 086
Infrastructure	923 864 178	43 126 040	(6 238 035)	-	-	-	960 752 183	(511 050 736)	4 435 734	-	(18 637 635)	(66 513)	(525 319 150)	435 433 033
Community Assets	74 738 714	7 220 915	(271 555)	-	-	5 644 648	87 332 722	(41 017 872)	208 053	-	(2 024 893)	-	(42 834 712)	44 498 010
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	60 217 365	52 404 925	(44 081 537)	-	-	-	68 540 753	(16 581 761)	8 651 553	-	(4 884 755)	-	(12 814 963)	55 725 790
	1 131 587 167	102 751 880	(50 591 127)	-	-	5 644 648	1 189 392 568	(605 508 148)	13 295 340	-	(27 585 378)	(66 513)	(619 864 699)	569 527 869
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	1 617 886	657 326	-	-	-	-	2 275 212	(199 947)	-	-	(113 366)	-	(313 313)	1 961 899
Other	645 664	-	-	-	-	-	645 664	-	-	-	-	-	-	645 664
	2 263 550	657 326	-	-	-	-	2 920 876	(199 947)	-	-	(113 366)	-	(313 313)	2 607 563
Investment properties														
Investment property	344 816 649	-	(14 719 766)	-	13 203 876	-	343 300 759	-	-	-	-	-	-	343 300 759
	344 816 649	-	(14 719 766)	-	13 203 876	-	343 300 759	-	-	-	-	-	-	343 300 759
Total														
Land and buildings	72 227 960	-	-	-	-	-	72 227 960	(36 857 779)	-	-	(2 038 095)	-	(38 895 874)	33 332 086
Infrastructure	923 864 178	43 126 040	(6 238 035)	-	-	-	960 752 183	(511 050 736)	4 435 734	-	(18 637 635)	(66 513)	(525 319 150)	435 433 033
Community Assets	74 738 714	7 220 915	(271 555)	-	-	5 644 648	87 332 722	(41 017 872)	208 053	-	(2 024 893)	-	(42 834 712)	44 498 010
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	60 217 365	52 404 925	(44 081 537)	-	-	-	68 540 753	(16 581 761)	8 651 553	-	(4 884 755)	-	(12 814 963)	55 725 790
Intangible assets	2 263 550	657 326	-	-	-	-	2 920 876	(199 947)	-	-	(113 366)	-	(313 313)	2 607 563
Investment properties	344 816 649	-	(14 719 766)	-	13 203 876	-	343 300 759	-	-	-	-	-	-	343 300 759
	1 478 667 366	103 409 206	(65 310 893)	-	13 203 876	5 644 648	1 535 614 203	(605 708 095)	13 295 340	-	(27 698 744)	(66 513)	(620 178 012)	915 436 191

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Derecognition - Accum depr Rand	Derecognition - impairment Rand	Depreciation Rand	Transfers Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Housing (Inc land)	21 819 971	-	-	-	-	21 819 971	(15 930 188)	-	-	(390 784)	-	(16 320 972)	5 498 999
Operational buildings	49 237 233	464 900	(170 500)	-	-	49 531 633	(18 897 693)	4 334	-	(1 639 066)	-	(20 532 425)	28 999 208
Roads and stormwater	876 356	-	-	-	-	876 356	-	-	-	(4 382)	-	(4 382)	871 974
	71 933 560	464 900	(170 500)	-	-	72 227 960	(34 827 881)	4 334	-	(2 034 232)	-	(36 857 779)	35 370 181

Infrastructure

Electricity network	121 034 184	-	(106 255)	-	-	120 927 929	(69 901 151)	98 391	-	(2 924 206)	(2 310)	(72 729 276)	48 198 653
Roads and stormwater network	360 898 910	6 166 505	(889 361)	-	-	366 176 054	(156 967 784)	469 002	126 618	(7 036 202)	-	(163 408 366)	202 767 688
Sanitation network	189 464 992	346 135	(68 126)	-	-	189 743 001	(121 685 882)	53 845	-	(2 714 848)	-	(124 346 885)	65 396 116
Water supply network	246 970 660	388 895	(342 362)	-	-	247 017 193	(145 526 312)	288 496	-	(5 328 392)	-	(150 566 208)	96 450 985
	918 368 746	6 901 535	(1 406 104)	-	-	923 864 177	(494 081 129)	909 734	126 618	(18 003 648)	(2 310)	(511 050 735)	412 813 442

Community Assets

Parks & gardens	61 346 793	3 019 989	(711 202)	-	-	63 655 580	(32 823 946)	(510 993)	-	(1 646 024)	-	(34 980 963)	28 674 617
Recreational facilities	23 232 390	-	(12 149 256)	-	-	11 083 134	(16 299 551)	-	11 169 671	(907 029)	-	(6 036 909)	5 046 225
	84 579 183	3 019 989	(12 860 458)	-	-	74 738 714	(49 123 497)	(510 993)	11 169 671	(2 553 053)	-	(41 017 872)	33 720 842

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Derecognition - Accum depr Rand	Derecognition - impairment Rand	Depreciation Rand	Transfers Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Buildings	538 950	-	-	-	-	-	538 950	-	-	-	-	-	538 950
	538 950	-	-	-	-	-	538 950	-	-	-	-	-	538 950

Specialised vehicles

Other assets

General vehicles	9 595 000	-	(9 595 000)	-	-	-	(7 658 570)	7 798 312	-	(139 742)	-	-	-
Plant & equipment	1 075 402	55 745	(267 176)	-	-	863 971	(734 432)	207 467	-	(143 707)	-	(670 672)	193 299
Furniture & Fittings	3 538 721	536 353	(308 419)	-	(4 793)	3 761 862	(2 651 019)	272 466	-	(425 482)	4 313	(2 799 722)	962 140
Office Equipment	3 987 826	11 588 609	(2 264 894)	-	1 243	13 312 784	(2 978 307)	1 945 299	-	(4 350 932)	(763)	(5 384 703)	7 928 081
Emergency Equipment	93 699	-	(855)	-	-	92 844	(58 708)	770	-	(10 156)	-	(68 094)	24 750
Work in progress	10 498 604	39 234 042	-	(7 546 742)	-	42 185 904	-	-	-	-	-	-	42 185 904
	28 789 252	51 414 749	(12 436 344)	(7 546 742)	(3 550)	-	60 217 365	(14 081 036)	10 224 314	(5 070 019)	3 550	(8 923 191)	51 294 174

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Derecognition - Accum depr Rand	Derecognition - impairment Rand	Depreciation Rand	Transfers Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	71 933 560	464 900	(170 500)	-	-	-	72 227 960	(34 827 881)	4 334	-	(2 034 232)	-	(36 857 779)	35 370 181
Infrastructure	918 368 746	6 901 535	(1 406 104)	-	-	-	923 864 177	(494 081 129)	909 734	126 618	(18 003 648)	(2 310)	(511 050 735)	412 813 442
Community Assets	84 579 183	3 019 989	(12 860 458)	-	-	-	74 738 714	(49 123 497)	(510 993)	11 169 671	(2 553 053)	-	(41 017 872)	33 720 842
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	28 789 252	51 414 749	(12 436 344)	(7 546 742)	(3 550)	-	60 217 365	(14 081 036)	10 224 314	-	(5 070 019)	3 550	(8 923 191)	51 294 174
	1 104 209 691	61 801 173	(26 873 406)	(7 546 742)	(3 550)	-	1 131 587 166	(592 113 543)	10 627 389	11 296 289	(27 660 952)	1 240	(597 849 577)	533 737 589
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	1 539 578	78 308	-	-	-	-	1 617 886	(133 439)	-	-	(66 508)	-	(199 947)	1 417 939
Other	645 664	-	-	-	-	-	645 664	-	-	-	-	-	-	645 664
	2 185 242	78 308	-	-	-	-	2 263 550	(133 439)	-	-	(66 508)	-	(199 947)	2 063 603
Investment properties														
Investment property	173 368 943	-	-	-	171 447 706	-	344 816 649	-	-	-	-	-	-	344 816 649
	173 368 943	-	-	-	171 447 706	-	344 816 649	-	-	-	-	-	-	344 816 649
Total														
Land and buildings	71 933 560	464 900	(170 500)	-	-	-	72 227 960	(34 827 881)	4 334	-	(2 034 232)	-	(36 857 779)	35 370 181
Infrastructure	918 368 746	6 901 535	(1 406 104)	-	-	-	923 864 177	(494 081 129)	909 734	126 618	(18 003 648)	(2 310)	(511 050 735)	412 813 442
Community Assets	84 579 183	3 019 989	(12 860 458)	-	-	-	74 738 714	(49 123 497)	(510 993)	11 169 671	(2 553 053)	-	(41 017 872)	33 720 842
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	28 789 252	51 414 749	(12 436 344)	(7 546 742)	(3 550)	-	60 217 365	(14 081 036)	10 224 314	-	(5 070 019)	3 550	(8 923 191)	51 294 174
Intangible assets	2 185 242	78 308	-	-	-	-	2 263 550	(133 439)	-	-	(66 508)	-	(199 947)	2 063 603
Investment properties	173 368 943	-	-	-	171 447 706	-	344 816 649	-	-	-	-	-	-	344 816 649
	1 279 763 876	61 879 481	(26 873 406)	(7 546 742)	171 444 156	-	1 478 667 365	(592 246 982)	10 627 389	11 296 289	(27 727 460)	1 240	(598 049 524)	880 617 841

Appendix C

June 2016

Segmental analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Derecognition Rand	Reclassify Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Land and buildings	72 227 960	-	-	-	-	-	72 227 960	(36 857 779)	-	-	(2 038 095)	-	(38 895 874)	33 332 086
Comm. & Social / Libraries and archives	63 655 580	7 220 915	(271 555)	-	-	5 644 648	76 249 588	(34 980 963)	208 053	-	(1 781 553)	-	(36 554 463)	39 695 125
Sport and Recreation	11 083 134	-	-	-	-	-	11 083 134	(6 036 909)	-	-	(243 340)	-	(6 280 249)	4 802 885
Electricity / Electricity Distribution	120 927 930	517 509	-	-	-	-	121 445 439	(72 729 277)	-	-	(2 922 475)	-	(75 651 752)	45 793 687
Road Transport / Road	366 176 054	17 630 367	(6 017 885)	-	-	-	377 788 536	(163 408 366)	4 246 967	-	(7 384 433)	-	(166 545 832)	211 242 704
Waste Water Management / Sewerage	189 743 001	-	-	-	-	-	189 743 001	(124 346 885)	-	-	(2 754 562)	-	(127 101 447)	62 641 554
Water / Water Distribution	247 017 193	24 978 164	(220 150)	-	-	-	271 775 207	(150 566 208)	188 767	-	(5 576 165)	(66 513)	(156 020 119)	115 755 088
Other	60 217 365	52 404 925	(44 081 537)	-	-	-	68 540 753	(16 581 761)	8 651 553	-	(4 884 755)	-	(12 814 963)	55 725 790
1 131 048 217	102 751 880	(50 591 127)	-	-	-	5 644 648	1 188 853 618	(605 508 148)	13 295 340	-	(27 585 378)	(66 513)	(619 864 699)	568 988 919
Municipal Owned Entities														
Total														
Municipality	1 131 048 217	102 751 880	(50 591 127)	-	-	5 644 648	1 188 853 618	(605 508 148)	13 295 340	-	(27 585 378)	(66 513)	(619 864 699)	568 988 919
1 131 048 217	102 751 880	(50 591 127)	-	-	-	5 644 648	1 188 853 618	(605 508 148)	13 295 340	-	(27 585 378)	(66 513)	(619 864 699)	568 988 919

Appendix D

June 2016

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	13 661 615	(13 661 615)	Executive & Council/Mayor and Council	-	17 352 243	(17 352 243)
116 014 159	92 749 688	23 264 471	Finance & Admin/Finance	120 225 136	111 912 923	8 312 213
197 229	6 901 611	(6 704 382)	Planning and Development/Economic Development/Plan	195 815	9 644 043	(9 448 228)
1 684 978	9 109 266	(7 424 288)	Comm. & Social/Libraries and archives	337 586	11 266 577	(10 928 991)
7 766 043	10 038 552	(2 272 509)	Waste Water Management/Sewerage	8 109 841	11 893 178	(3 783 337)
24 700 872	11 070 790	13 630 082	Road Transport/Roads	26 130 098	9 924 032	16 206 066
30 554 886	24 477 750	6 077 136	Water/Water Distribution	49 248 602	23 983 217	25 265 385
95 030 834	148 853 492	(53 822 658)	Other/Air Transport	111 805 909	159 551 421	(47 745 512)
275 949 001	316 862 764	(40 913 763)		316 052 987	355 527 634	(39 474 647)
Municipal Owned Entities Other charges						
275 949 001	316 862 764	(40 913 763)	Municipality	316 052 987	355 527 634	(39 474 647)
275 949 001	316 862 764	(40 913 763)	Total	316 052 987	355 527 634	(39 474 647)

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2016

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
Equitable share	National Treasury	-	26 428	21 143	15 857	-	-	-	-	-	-	-	-	-	-	-		Yes	
MIG	National Treasury	-	8 170	9 667	44 152	-	-	9 270	7 596	2 063	8 626	-	-	-	-	-		Yes	
FMG	National Treasury	-	1 600	-	-	-	-	-	564	24	1 012	-	-	-	-	-		Yes	
MSIG	National Treasury	-	930	-	-	-	-	-	492	-	438	-	-	-	-	-		Yes	
EPWP	National Treasury	-	433	325	325	-	-	-	1 040	43	-	-	-	-	-	-		Yes	
MWIG	National Treasury	-	2 500	5 000	2 500	-	-	-	5 071	2 598	2 331	-	-	-	-	-		Yes	
INEP	National Treasury	-	2 000	-	-	-	-	170	616	-	1 214	-	-	-	-	-		Yes	
		-	42 061	36 135	62 834	-	-	9 440	15 379	4 728	13 621	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2016

	2016/2015								2015/2014						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	158 123 406	(16 514 300)	141 609 106	-		141 609 106	121 395 687		(20 213 419)	86 %	77 %				117 253 459
Budget and treasury office	155 848 648	(16 514 300)	139 334 348	-		139 334 348	120 225 136		(19 109 212)	86 %	77 %				116 014 159
Corporate services	2 274 758	-	2 274 758	-		2 274 758	1 170 551		(1 104 207)	51 %	51 %				1 239 300
Community and public safety	22 805 059	2 114 107	24 919 166	-		24 919 166	7 130 798		(17 788 368)	29 %	31 %				9 406 708
Community and social services	538 457	114 107	652 564	-		652 564	337 586		(314 978)	52 %	63 %				1 684 978
Public safety	22 266 602	2 000 000	24 266 602	-		24 266 602	6 793 212		(17 473 390)	28 %	31 %				7 721 730
Economic and environmental services	24 389 526	39 018 000	63 407 526	-		63 407 526	26 325 913		(37 081 613)	42 %	108 %				24 898 101
Planning and development	333 410	-	333 410	-		333 410	195 815		(137 595)	59 %	59 %				197 229
Road transport	24 056 116	39 018 000	63 074 116	-		63 074 116	26 130 098		(36 944 018)	41 %	109 %				24 700 872
Trading services	168 601 540	6 371 773	174 973 313	-		174 973 313	161 200 589		(13 772 724)	92 %	96 %				124 390 515
Electricity	110 662 174	861 773	111 523 947	-		111 523 947	103 842 146		(7 681 801)	93 %	94 %				86 069 805
Water	49 330 291	3 500 000	52 830 291	-		52 830 291	49 248 602		(3 581 689)	93 %	100 %				30 554 886
Waste management	8 609 075	2 010 000	10 619 075	-		10 619 075	8 109 841		(2 509 234)	76 %	94 %				7 765 824
Total Revenue - Standard	373 919 531	30 989 580	404 909 111	-		404 909 111	316 052 987		(88 856 124)	78 %	85 %				275 948 783

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2016

	2016/2015					2015/2014									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	177 223 001	23 292 813	200 515 814	-	-	200 515 814	191 954 102	-	(8 561 712)	96 %	108 %	-	-	-	168 112 325
Executive and council	21 068 436	-	21 068 436	-	-	21 068 436	17 352 243	-	(3 716 193)	82 %	82 %	-	-	-	13 661 615
Budget and treasury office	97 746 311	14 174 335	111 920 646	-	-	111 920 646	111 912 923	-	(7 723)	100 %	114 %	-	-	-	92 749 688
Corporate services	58 408 254	9 118 478	67 526 732	-	-	67 526 732	62 688 936	-	(4 837 796)	93 %	107 %	-	-	-	61 701 022
Community and public safety	34 925 266	(6 682 071)	28 243 195	-	-	28 243 195	22 619 535	-	(5 623 660)	80 %	65 %	-	-	-	18 145 529
Community and social services	14 482 061	(782 576)	13 699 485	-	-	13 699 485	11 266 574	-	(2 432 911)	82 %	78 %	-	-	-	9 109 266
Public safety	20 443 205	(5 899 495)	14 543 710	-	-	14 543 710	11 352 961	-	(3 190 749)	78 %	56 %	-	-	-	9 036 263
Economic and environmental services	26 258 851	(2 277 369)	23 981 482	-	-	23 981 482	19 568 075	-	(4 413 407)	82 %	75 %	-	-	-	17 972 401
Planning and development	11 110 665	227 857	11 338 522	-	-	11 338 522	9 644 043	-	(1 694 479)	85 %	87 %	-	-	-	6 901 611
Road transport	15 148 186	(2 505 226)	12 642 960	-	-	12 642 960	9 924 032	-	(2 718 928)	78 %	66 %	-	-	-	11 070 790
Trading services	127 818 895	11 317 713	139 136 608	-	-	139 136 608	121 385 922	-	(17 750 686)	87 %	95 %	-	-	-	112 632 291
Electricity	88 267 960	13 268 580	101 536 540	-	-	101 536 540	85 509 523	-	(16 027 017)	84 %	97 %	-	-	-	78 116 207
Water	27 679 959	(1 999 725)	25 680 234	-	-	25 680 234	23 983 221	-	(1 697 013)	93 %	87 %	-	-	-	24 477 532
Waste water management	-	-	-	-	-	-	64 686	-	64 686	DIV/0 %	DIV/0 %	-	-	-	53 704
Waste management	11 870 976	48 858	11 919 834	-	-	11 919 834	11 828 492	-	(91 342)	99 %	100 %	-	-	-	9 984 848
Total Expenditure - Standard	366 226 013	25 651 086	391 877 099	-	-	391 877 099	355 527 634	-	(36 349 465)	91 %	97 %	-	-	-	316 862 546
Surplus/(Deficit) for the year	7 693 518	5 338 494	13 032 012	-		13 032 012	(39 474 647)		(52 506 659)	(303)%	(513)%				(40 913 763)

Appendix G3

Budgeted Financial Performance (revenue and expenditure)

for the year ended 30 June 2016

	2016/2015							2015/2014							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	59 959 110	(808 000)	59 151 110	-		59 151 110	46 336 732		(12 814 378)	78 %	77 %				54 228 731
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	105 368 142	636 276	106 004 418	-		106 004 418	103 326 621		(2 677 797)	97 %	98 %				84 979 807
Service charges - water revenue	23 479 094	5 000 000	28 479 094	-		28 479 094	22 624 734		(5 854 360)	79 %	96 %				17 522 872
Service charges - sanitation revenue	10 710 279	(1 500 000)	9 210 279	-		9 210 279	9 464 684		254 405	103 %	88 %				6 366 239
Service charges - refuse revenue	6 974 822	2 000 000	8 974 822	-		8 974 822	6 171 908		(2 802 914)	69 %	88 %				5 468 562
Service charges - other	4 000 000	(3 500 000)	500 000	-		500 000	410 926		(89 074)	82 %	10 %				956 486
Rental of facilities and equipment	2 089 451	14 107	2 103 558	-		2 103 558	1 039 305		(1 064 253)	49 %	50 %				1 113 795
Interest earned - external investments	4 000 000	(3 500 000)	500 000	-		500 000	940 360		440 360	188 %	24 %				2 268 353
Interest earned - outstanding debtors	10 332 960	(4 053 690)	6 279 270	-		6 279 270	5 294 784		(984 486)	84 %	51 %				6 048 999
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	11 638 780	-	11 638 780	-		11 638 780	3 028 800		(8 609 980)	26 %	26 %				4 450 800
Licences and permits	10 000 000	2 000 000	12 000 000	-		12 000 000	3 201 147		(8 798 853)	27 %	32 %				2 741 698
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised	102 223 200	39 018 000	141 241 200	-		141 241 200	104 252 391		(36 988 809)	74 %	102 %				83 838 225
Other revenue	23 143 692	(4 317 113)	18 826 579	-		18 826 579	9 960 595		(8 865 984)	53 %	43 %				5 964 216
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	373 919 530	30 989 580	404 909 110	-		404 909 110	316 052 987		(88 856 123)	78 %	85 %				275 948 783

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

2016/2015										2015/2014					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Expenditure By Type															
Employee related costs	108 702 978	(1 870 931)	106 832 047	-	(90 631)	106 741 416	104 690 711	-	(2 050 705)	98 %	96 %	-	-	-	89 905 444
Remuneration of councillors	6 269 088	-	6 269 088	-	90 631	6 359 719	6 359 720	-	1	100 %	101 %	-	-	-	5 968 924
Debt impairment	27 711 953	5 000 000	32 711 953		(1 167 289)	31 544 664	29 176 475	-	(2 368 189)	92 %	105 %	-	-	-	30 309 529
Depreciation & asset impairment	29 884 589	-	29 884 589		1 167 289	31 051 878	31 051 878	-	-	100 %	104 %	-	-	-	27 727 459
Finance charges	2 097 139	4 408 082	6 505 221	-	-	6 505 221	6 495 816	-	(9 405)	100 %	310 %	-	-	-	6 956 553
Bulk purchases	82 369 045	13 000 000	95 369 045	-	(2 500 000)	92 869 045	78 848 077	-	(14 020 968)	85 %	96 %	-	-	-	72 297 650
Other materials	24 413 214	(2 065 962)	22 347 252	-	-	22 347 252	12 114 704	-	(10 232 548)	54 %	50 %	-	-	-	14 445 200
Contracted services	36 486 372	(7 057 523)	29 428 849	-	2 500 000	31 928 849	31 257 929	-	(670 920)	98 %	86 %	-	-	-	25 370 725
Fair value adjustments	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other expenditure	48 291 634	14 237 420	62 529 054	-	-	62 529 054	62 328 199	-	(200 855)	100 %	129 %	-	-	-	57 844 311
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital expenditure	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	366 226 012	25 651 086	391 877 098	-	-	391 877 098	362 323 509	-	(29 553 589)	92 %	99 %	-	-	-	330 825 795
Surplus/(Deficit)	7 693 518	5 338 494	13 032 012	-		13 032 012	(46 270 522)		(59 302 534)	(355)%	(601)%				(54 877 012)
Fair value adjustments	-	-	-	-		-	13 203 875		13 203 875	DIV/0 %	DIV/0 %				1 959 918
Actuarial Gain / (Loss)	-	-	-	-		-	(6 408 000)		(6 408 000)	DIV/0 %	DIV/0 %				12 003 331
	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	7 693 518	5 338 494	13 032 012	-		13 032 012	(39 474 647)		(52 506 659)	(303)%	(513)%				(40 913 763)
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	7 693 518	5 338 494	13 032 012	-		13 032 012	(39 474 647)		(52 506 659)	(303)%	(513)%				(40 913 763)
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	7 693 518	5 338 494	13 032 012	-		13 032 012	(39 474 647)		(52 506 659)	(303)%	(513)%				(40 913 763)
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	7 693 518	5 338 494	13 032 012	-		13 032 012	(39 474 647)		(52 506 659)	(303)%	(513)%				(40 913 763)